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PCI COMMENTATOR BOFFA ON U.S. DEFENSE POLICY

Rome L'UNITA in Italian 20 Sep 81 pp 1, 17

[Commentary by PCI commentator Giuseppe Boffa: "Is the Reagan Line Really the West's Only Choice?"]

[Text] The entire world is today profoundly agitated. I do not believe it is possible to say that any part of the globe is free from this unrest. Never before the present era have we experienced a confrontation of such global proportions (global in the literal sense of the word) among multiple opposing forces. It is, moreover, a confrontation that is not reducible to linear antitheses between two or three clearly dominant tendencies--as might be imagined (and in part actually has been the case) in the past. It is indeed true (and we are firmly convinced of it) that we are no longer in the 1950's.

Entire continents are demanding new rights. Peoples who have long suffered exclusion and humiliation are seeking to assert themselves. These phenomena often find expression in ways that appear unconventional or unacceptable even from the standpoint of mature revolutionary thinking in our country (not to mention conservative thinking). Innumerable ideological and political conflicts accumulate and become interwoven--conflicts that derive from dramatic economic, technological, military and political disequilibriums and from abysmal disparities of wealth and power. These differences--intensified over the years--are today producing critical repercussions (though in diverse forms) in the more developed countries themselves, both in the East and in the West. Regimes which had appeared to be stable--such as the Polish regime--are experiencing a series of traumatic shocks. Even a conservative newspaper such as the ECONOMIST has noted, in recent weeks, a parallel between the crisis in the West and the crisis in the East, and although this newspaper voiced the expectation that the crisis in the West would be the easier of the two to resolve, it was careful not to express certainty as to ultimate success. It is in this world so laden with tensions that these terrifying quantities of monstrous weapons--precisely the ones that are currently the object of discussion--are being accumulated.

Basic Cause

Even if this picture is correct, it is however being analyzed in accordance with conceptions that are completely contradictory. One of these conceptions is that of the new American administration, and we noted an echo of it in Haig's Berlin

speech. It is a conception that was born of a desire to provide a frustrated American nationalism with simple responses based on motifs with which it is familiar. If so much is going badly in the world (according to this thesis) it is due to a single basic cause, one to which all other causes are subordinate and incidental: the USSR, its leaders, its alliances, and communism are to blame. If these constitute the principal factor for instability, then that factor must be redimensioned and brought to reason. Everything else is to be viewed in the light of this priority task. South Africa may well be racist but it is a valuable point of support, and this latter consideration outweighs the former. There may well be unpleasant dictatorships in Central and South America, but these are "authoritarian," not "totalitarian" (that is to say, communist), and it is better for them to remain in power if their places are to be taken by progressive regimes that will no longer view Cuba--supported by the USSR--as an enemy. In the Middle East there are conflicts of more than 30 years' standing, but even these would take a back seat in order that a common front might be formed against the USSR. Faithful to the same logic, Reagan is asking the European allies to reduce the volume of their trade with the East. He even appears to be surprised at the reservations voiced by the allies with respect to his plans for all-out rearmament--and at all their criticism with respect to equilibriums--because (according to this logic) only one kind of equilibrium is acceptable: the kind that allows one to speak to one's adversary from "a position of strength," in other words, endowed with a superiority that admits of no rejoinder. It goes without saying that this conception--formulated with clarity by numerous spokesmen for the new administration--is undeniably characterized by a consistency of its own.

Conceptions Rejected

But are these premises acceptable? One must warn that this conception has little or nothing to do with the criticism--however drastic--of the acts of force that the USSR has carried out, or supported, in Afghanistan or in Cambodia in an attempt to respond (unsuccessfully, it may be noted) to the problems which the complexity of the contemporary crisis was also posing to its own leadership. The revival--by the Soviets--of the theory of two irreconcilably hostile "camps" would appear to be similar to the Reagan concept, despite the perception that they are antithetical by virtue of the fact that one is a compact expression of progress and the other a compact expression of reaction. In this case as well, it would be consistent to strive not for negotiations and coexistence but for the systematic defeat of the opposing camp; it is doubtful, however, that the world's problems would thereby be alleviated.

For more than a quarter of a century, in fact, the basic components of this kind of conception have been increasingly discarded and rejected throughout a great part of the world because they are regarded as a serious source of danger. In particular, they are being disregarded and rejected in many European political circles (and by no means only those of the Left). It is in these circles that conceptions (and therefore analyses) of a quite different nature have been developed. We shall cite only one example. At its congress in Madrid last November the Socialist International put forward a conception which in practice has nothing in common with that of Reagan, namely the conception to the effect that the causes of the serious deterioration of the international situation are to be found not in the behavior of a single wicked protagonist but rather in the "acceleration of the arms race"; in

the "widening of the gulf" between the "industrialized countries of the North and the developing countries of the South"; in the "increasing number of violations of human rights"; and in an economic order that "does not meet either the real needs of the peoples of the wealthy countries nor the elementary human needs of the Third World." The counterproposals that were made in this instance were likewise consistent: detente; disarmament; a new relationship between North and South; support for the people engaged in struggle in Africa and Latin America; profound economic reforms; planning; and negotiated solutions for all disputes with the participation of all parties concerned.

We know very well that the decisions of the Socialist International are not binding upon all its members. We do not even believe that its analysis can be regarded as definitive, because it does not always comprehend the profound, irreversible and structural character of the unrest that has developed under our very eyes. The solutions would likewise--we believe--require greater courage, imagination and inventiveness. Suffice it, however, to compare the two positions--that of the Reagan administration and that of the Socialist International--to realize that the great political debate which today grips the West involves a conflict not merely between tactical considerations but between conceptions which are fundamentally different (this conflict between the two conceptions is beginning to make headway in America itself). Moreover, the question does not concern the Socialist International alone. If we subject to a similar analysis the conceptions expressed by the Catholic Church through its leading spokesmen (beginning with the Pope) we shall in fact arrive at similar conclusions.

This phenomenon becomes a source of considerably more concern, however, when one attempts to reconcile specific conceptions with the decisions that derive (although in completely logical fashion) from the opposing conceptions. It is not merely a question of consistency, however. The remedies implicit in a given analysis can in fact no longer be regarded as remedies if one proceeds on the basis of an opposing analysis. On the contrary; these remedies will become factors for aggravating the crisis.

The gigantic rearmament plan launched by Reagan makes a measure of sense within the context of its unilateral vision of the world. It cannot help, however, but be viewed as a catastrophic solution by anyone who is convinced that what is needed instead is fewer weapons and that the basic problem to be solved is the discrepancy between North and South, or that the tensions of the world are not the product of a villainous superpower but rather the product of the disputes, of the exasperations, of the very radicalisms inherent in the current world crisis and which the superpowers themselves are increasingly in danger of being unable to control. The Socialist International understood this well when it tersely proclaimed in Madrid: "It appears strange, to say the least, that there are those who believe disarmament can be achieved by increasing arms production."

To be sure, it can also be argued that there is currently no immediate danger of a world war, with the corollary that we would take stock of the danger only when it became immediate and therefore probably irreparable. We would ourselves, however, be helping to aggravate the danger if we did not perceive it from this moment on. The danger derives from--and is intensified by--the accumulation of inadequate responses (or worse still, negative responses) as the crisis deepens and as the

basic causes of the crisis persist without any light visible at the end of the tunnel. Let us offer one final quotation from the Socialist International, which said in Madrid: "It seems clear that in the present circumstances peace is more seriously endangered than it has been at any time in recent years." This assertion is perfectly consistent with the conception of the world crisis which the Socialist International has formulated. In the 10 months since that time the situation has assuredly not improved. No one--I believe--is in a position to maintain the contrary.

10992

CSO: 3104/10

FOREIGN, DEFENSE MINISTER AGREEMENT ON ARMS CONTROL POLICY

The Hague NRC HANDELSBLAD in Dutch 23-Sep 81

[Article: Agreement Reached on the Policy of Arms Control]

[Text] Even before the swearing-in, Ministers Van der Stoel (Foreign Affairs) and Van Mierlo (Defense) had two intensive conversations on the cooperation between both departments concerning the future arms control policy. Because of the ever-increasing interrelation of political and military factors, clear agreements on the cooperation were important in the view of both government members to make policy formation work best. Meanwhile, the agreements have been confirmed in writing. We print the text of them below.

"The ministers of foreign affairs and defense state that the new cabinet will act on questions of peace and security in a complicated national and international situation.

They realize that the policy in the area of foreign affairs and defense must be carried out with the knowledge that--with respect to an essential point, namely whether or not a number of LRTNF (long range missiles) will ultimately be stationed on Netherland's soil--there are varying opinions in the cabinet, and no agreement exists between the factions on which this cabinet is based.

It would be unrealistic not to recognize the danger that ultimately making a decision within certain limits casts a shadow over the outcome of it beforehand. The fact that no decision has been made for the time being on such placements, may lead to a certain passivity in international policy in the Netherlands. This must, however, be avoided. If there is so much essential business concerning security and arms control in the coming period of time within the NATO alliance an active-creative diplomacy is called for.

Then, both ministers make clear the interrelation of the areas of arms control and defense, and the effect of their decisions on each other's areas. They believe that arming and disarming are not subjects which should be handled separately but are essential parts of an integrated national security. The fact that concern for these special parts is more specifically entrusted to various departments and to the ministers who are in charge of directing them, does not detract from the fact that together they carry a special responsibility on this point for a closely integrated policy.

The ministers insist on the viewpoint that where public opinion plays such an important part--and it ought to--in the question of nuclear weapons, much more candor must be practiced as to motives and foundations of this integrated foreign policy than was the case before.

To give shape to the above-mentioned point of view, as well as to create better guarantees for realizing it, they have decided to form a steering committee consisting of both government members and (eventually also on an ad hoc basis) officials to be named by them which will discuss basic questions in the area of defense policy and especially that of nuclear arms and nuclear arms control and taking into account the responsibility of all, it will try to come to an agreement on the policy to be carried out.

The chairmanship of the working committee is alternately filled by one of the two ministers. Officials of defense and foreign affairs take part in the meeting on an equal basis. For coordinating the general government policy, a representative of MP attends the meeting. The steering committee will be formally installed.

The steering committee will deliberate on the policy that will be carried out by the relevant ministers. Especially, the deliberation will be directed to the following:

- . The problem of modernization and arms control of nuclear medium range weapons;
- . The SALT process;
- . MBFR;
- . The basis of the defense message to be composed;
- . The Netherland's nuclear arms tasks;
- . The role of nuclear weapons in NATO strategy;
- . Other possible subjects in the field of nuclear weapons and arms control.

The deliberation takes place with full knowledge of all available information. The deliberation is not only coordinated but also analytical and creative. It concerns the concepts which should be at the base of an integrated foreign policy as well as the discussion of possible new initiatives, taking into account existing competencies."

9872

CSO: 3105/2

INTERCHURCH PEACE COUNCIL MEMBER ON NEUTRON BOMB

Rotterdam NRC HANDELSBLAD in Dutch 14 Sep 81 p 7

[Article by L. J. Hogebrink, member of the Interchurch Peace Council as a representative of the Dutch Reformed Church: "Sense and Nonsense in Discussion about N-Bomb"]

[Text] It is amazing how much, in the wave of publicity since President Reagan's latest decision about the neutron bomb, sense and nonsense are still mixed. Yet, the subject 'neutron bomb' has been scoring high on the country's political agenda since the summer of 1977. That the facts have been published regularly and persistently during the last couple of years by the Interchurch Peace Council has apparently been of little help. I'll leave it as to whether the IPC does not cry out loud enough (a reproach not very often heard) or that even renowned reporters in our country have listened to the 'official' report, which in the case of the neutron bomb had the express purpose of covering up the facts.

Five Questions

For the benefit of a meaningful discussion it is necessary to clear up at least five questions:

1. Is it a bomb or a grenade?

Regarding this apparently least interesting aspect some sort of language struggle has been raging in our country. The opponents of the new weapon talk about neutron bomb, the supporters about neutron grenade. The latter group was joined by those who apparently wanted to be objective and thought that the (businesslike) supporters would master their subject better than the (emotional) opponents. But unfortunately, the predilection for the term neutror grenade (not only in the press, but, for instance, also in the Christian Democratic Appeal (CDA) election program) shows poor knowledge of affairs.

Because the new charge for the Lance missile is the most advanced, a nuclear bomb which is carried by a missile is simply not called a grenade. According to the 1981 Annual Report from the American Department of Defense, approximately 340 new charges are in production for the Lance, which have the capacity of enhanced radiation at their disposal. Recent news bulletins talk of 380 charges. A little less advanced is the production of new charges for the 8" artillery. Those are, as well as for the 150-mm artillery (which will get its turn later on), indeed grenades.

At the same time they are mini-rockets because they have, for doubling their range, their own rocketlike propulsion. Approximately 800 are being produced of that type at the moment. The final number of neutron weapons will, after all, be much higher. Moreover, the term 'grenade' is insofar misleading in that it is easily forgotten that in comparison with a light neutron charge of one kiloton, besides the extra high radiation, it still has an explosive power of ten times the total bomb drop which destroyed the center of Rotterdam in May 1940.

2. Has President Carter postponed the production of the N-bomb?

No. The exact text of the presidential 'postponement' of 7 April 1978 contained this sentence: "Therefore, I have ordered the Department of Defense to continue modernizing the nuclear weapons for the Lance-rocket and the 8" weapons system, through which the option of installment of radiation-increased elements remains open."

'Production'

Carter's decision sounded (politically) as a postponement, but it meant (militarily and technologically) that work on the new charges continued, although for the moment without the radiation-increased element.

In September 1978, the Interchurch Peace Council (IKV) reported that as of 1 October 1978--the new fiscal year--a certain legal barrier would be removed for the likewise start of production of this radiation-increased element and that production would begin. Only according to the new terminology of the Pentagon it would not be called 'production of the N-bomb' because only after the radiation-increased element would be assembled on the new heads--a job which could be completed in the field--could one call it 'production'.

Hardly one Dutch reporter took the trouble investigating these reports. The reason was, I fear, that the Dutch Government kept on denying the reports from the IKV through the intermediary of all ministers involved, even after General Bratton, the highest ranking official in the American nuclear weapons program, confirmed the affair during a telephone conversation with an IKV representative. Two weeks later, on 18 October 1978, President Carter announced that he had formally decided on the production of the new neutron heads and that at the same time 'components' of the enhanced radiation elements entered into production. These were the most important components.

Confirmed

The reports from the IKV were confirmed in detail. Our government showed 'surprise' that the reports received major front page coverage (although they submissively followed the Pentagon's terminology that this production was still no production) and the Second Chamber of Parliament conferred late into the night.

3. Does President Reagan's decision mean that the production of the Neutron bomb will begin?

No, because it was already in production. Those who do not believe the IKV may want to ask American Secretary of Defense Weinberger, who reported on 10 August that production had started a few weeks earlier. Secretary Weinberger was referring to

assembly of the various parts. This was production couched in Pentagon terminology. These parts had indeed been produced earlier (production in Dutch). In conclusion, the production has been exactly according to schedule since 1978, and Carter's 'postponement' has not made any difference.

In fact the following is the case. Last year a bureaucratic fight took place within the Carter government regarding the priority of the neutron bomb weapons program (which is the Army's) in comparison with many other nuclear programs, which are in line especially for the Navy and the Air Force. During the next 10 years the United States will build approximately 17,000 new neutron weapons, which is 4-5 each day. The major problem, however, is the scarcity of 'special nuclear materials', amongst others, tritium. Tritium is the material necessary for the radiation-increased element.

The U.S. Congress cut the knot and a law was passed on 17 December 1980, which ordered the government "to produce and store nuclear materials and the nuclear war head-parts which are necessary for the rapid change of the W70-3 and W79-1 nuclear war heads (for the Lance and the 8 inch LJH) in enhanced radiation weapons."

Sensitivities

During his last days as president, Carter signed this law. However, the new Reagan team recognized the same tritium shortage immediately. Moreover, it was Secretary of State Haig in particular who preferred to drop the subject of the N-bomb for the time being, realizing the sensitivities in Western Europe, in order not to add fuel to the fire of the opposition of the politically more important 572 cruise and Pershing II rockets.

Nevertheless, in June 1981 it was decided to supply tritium for the N-weapon program, and with that the die was cast. In August President Reagan decided that, at this time, the two production lines (new nuclear war heads and enhanced radiation elements) which had been kept separated by Carter for political reasons, were now joined due to political reasons. It is not true that without this decision other nuclear weapon production schedules ran a risk, although it seems that the Army has claimed as such in a moment of concern for the Navy and the Air Force. It is, of course, handier and cheaper to insert the tritium holders for the extra radiation dosage while assembling these new loads. But this decision could easily have been postponed, and that's probably why Secretary of State Haig, who has been in favor of the N-bomb since he was Nato commander, could oppose this decision. Press reporting over the last 3 years, which had failed to see the continuity in the N-bomb program, unfortunately paid little attention to the political meaning of a decision which was, at this time, neither militarily nor technically necessary.

Hours

4. Is it a consolation that the nuclear weapons will be stored for the time being?

No, since the flying time to the European battlefield is a matter of hours. The real decision in this kind of weapons program is not so much the decision of stationing, but the decision of production--in this case the series of production decisions which were not to be called as such.

The 'stationing decision' can possibly be made by the United States during a crisis, a couple of hours before the weapons are put into action. It is not likely, that in such a situation attention will be paid to sensitive points such as whether or not increased radiation levels are present. However, within a few years the problem of replacement of the much antiquated present nuclear loads of the 8-inch weapon will arise. (Unjustly it was reported in this paper several times that for this only conventional missiles are available). In the future only N-bombs can be considered for this. The election programs of the Christian Democratic Appeal (CDA), Labor Party and Democratis '66 are in this case united: No weapons. This will eventually create problems.

5. Is there anything the Dutch Government can do?

Yes, they can make it very clear that this method of forced decision will not be accepted. In his letter, in which he informed the Second Chamber of Parliament, the day after Carter's production decision of October 1978, Prime Minister van Agt wrote as secretary of state ad interim: "A decision for the production of the other essential ERRB parts (the parts of the enhanced radiation elements LJH) has definitely not been made. In order to make such a decision, a separate decision from the American president is needed. We have been assured that in case it would come to that, the Allies will be consulted in good time." This promise, which concerned exclusively the production, does not stand by itself.

Even during the television program "Face the Nation" on 8 March 1981, Secretary of Defense Weinberger declared: "...We will unite these parts and produce the weapon only after complete consultation with our Allies."

Signal

President Reagan does not care one iota about this promise and prefers a confrontation policy with his allies, by which they will be confronted with the bare facts and are expected to accept this cheerfully as 'leadership'. A clear signal that the Dutch Government can set against this is a public address, stating that under no circumstances will weapons systems, which have a nuclear purpose, be released in the Dutch army for the discharge of neutron weapons of this capacity.

Reality in times of crisis will probably be different, but at the moment it is necessary to send a unanimous political signal to the U.S. Congress that we refuse to accept this latest phase in the weapons race and the manner in which the allies are treated.

Some grumbling about 'the late date of information' will just not suffice. Unfortunately, it is feared that after the opening of Parliament it will be evident that the government will, once again, accept the promises of consultation regarding the stationing.

9897
CSO: 3105/187

PS EXPERTS ENERGY POLICY REPORT: NUCLEAR, OIL, COAL, GAS

Paris LE MATIN in French 18, 19-20 Sep 81

[Article by Henri Lauret: "Initial Report Before the Big Debate; LE MATIN Reveals Content of Report Requested by Government From Planning Experts"]

[18 Sep 81 pp 10-11]

[Text] What will be the energy policy for Francois Mitterrand's France? For many long years, the Socialists have denounced the former majority's choices. The slogans "all oil," "all electric" and "all nuclear" were in vogue. Now that it is in power, the government of the Left is setting to work on the major reforms that it was advocating not so long ago, as well as on nationalizations, decentralization and energy policy.

After 3 weeks of the big parliamentary debate on energy which the Socialist candidate had promised his constituents, LE MATIN is able to reveal the content of a document drawn up at the prime minister's request by a group of experts. The latter, directed by Jean-Pierre Hugon, the chief engineer of Mines, collaborated on the drafting of a report by the Energy and Raw Materials Administrative Group, within the framework of preparing the 2-year plan. This document, together with that of doyen Maurice Bourjol, will serve as a basis for the work of interministerial committees. On 25 September Edmond Herve, the Energy Minister, will give the prime minister a final report which will make it possible to draw up the government's proposals before the big debate of 6 and 7 October.

The report on the Plan is the fruit of consultation of 22 socioprofessional organizations, public enterprises, pressure groups and various associations. One hundred fifty pages long, it has the merit of making a cold synthesis of an eminently passionate subject. The reactions to the conservation measures taken by Pierre Mauroy in the nuclear program (Nogent, Cattenom) and the La Hague affair vie in demonstrating this. The interest of this report is particularly that it defines three major political principles: national independence, accommodation of the needs of the French and their economy, and citizen participation in defining policy.

But the reality of the figures on needs and their satisfaction is no less striking. French consumption cannot be drastically reduced without risk of hampering growth, which is already hypothetical. And energy choices are a long term affair. With the exception of energy savings, the Socialists must come to terms with the heritage of the past and the present technical constraints. Hence the report's conclusion that a leading role must be retained for nuclear production. The real choice which seems to be left to the Left today is that of setting to work on the energy of the "post 1990" period.

Preparing for Post-1990

Immediate Halt in Development of Nuclear Industry Would Be Mistake, According to Report

Stating that our needs depend "first on our behavior," then on "the style of economic and social development sought," the report stipulates that the energy policy "must have the objective that supply problems can under no circumstances be a curb on France's growth." The French production system, in particular, is centralized, since it is easier to decide to start up a group of nuclear power plants than to induce households and industry to invest in order to economize. Now, in contrast to a "supply" strategy, the new policy advocates controlling consumption. This constitutes "the best means of relaxing constraints."

The results anticipated for 1990 are thus based on two hypotheses of economic growth accepted by the experts: 2.5 percent or 4.5 percent annually. They are counting on 206 million tons equivalent of oil (MTEP) in the first case and 232 MTEP in the second. And they incorporate the effects of an energy saving policy in the residential sector and tertiary industries as well as in industry.

The table (below) of energy distribution by source gives new proof of the pre-eminence of fossil and atomic fuels. From 1981 to 1990, coal consumption would thus go from 33.5 MTEP to 31.5 MTEP in the event of average growth of 2.5 percent or to 39.5 MTEP in the event of strong growth. Oil would go from 93 MTEP to 66 or 74 MTEP; nuclear energy, from 19.5 to 57.5 or 62.5 MTEP. The chairmen, themselves dominated by the idea of independence, pay particular attention to the percent contribution of different forms of energy.

In this case the share of oil is seen to have been reduced to approximately 32 percent; that of nuclear energy is between 27 and 28 percent; gas represents 13.5 percent, and renewable energies (including electricity from dams) 11 percent of supplies. According to the two growth scenarios, the modulation of the share of coal is the greatest: between 15.3 and 17 percent.

An initial observation: The results are little different from the hypotheses accepted by the Eighth Plan under Giscard d'Estaing's 7-year term, with two big exceptions. The total need evaluated by the preceding administration on the basis of average growth of 3.5 percent works out to 242 MTEP versus 232 MTEP (at 4.5 percent growth). The difference is undoubtedly explained by the Socialists' determination to impart a more effective energy saving policy. Moreover, with

respect to nuclear energy, the Eighth Plan anticipated a total of 75 MTEP versus a maximum of 62 MTEP estimated by the chairmen. The policy of restraining the nuclear program and the penetration of electricity in the final results, another apparent preoccupation of the new leaders, are to blame for this other distortion.

The totals for 1990 "are not objective" but the products of calculation which make it possible to "ask good questions." They assume that external events will not come to counteract "in a nullifying manner the policy thus undertaken." From the very beginning, the reports emphasize "the areas of considerable uncertainty" in all energy sources and concentrate on oil, nuclear energy and energy savings. Oil, they say, remains a major element in meeting energy requirements from now until the end of the century. But the tensions and hatreds developed, especially by oil price negotiations, leave ominous threats hanging and hence distrust.

This sensible observation led the chairmen to make nuclear energy, which is a source of electricity, a major focus. The control of uses and consumption, they write in substance, postulates a more ambitious policy than that which directed the previous drafting of the nuclear program. "A certain reading of these figures could lead to a decision to halt all development of nuclear equipment immediately. Such a reading would be unwise and erroneous."

"Unwise since it disregards the considerable difficulties and risks which mark the road to be traveled in order to attain the overall objective proposed for energy policy as a whole; erroneous, since the real question is not 'how to realize this objective for 1990' but 'how to work between now until 1990 on building post-1990.'" In other words, the die is all but cast for 1990, and today it is a question of making the decisions to undertake nuclear studies "which will make it possible to adopt a satisfactory pace for the future, beyond 1990."

Halts in progress in the pursuit of the nuclear program, not to mention major accidents (classic, innocuous and repetitive failures, etc.), cannot be ruled out. "That entails the necessity of providing a safety margin in production capacity," the chairmen recommended. This is a way of deciding in favor of the necessity of pursuing commitment to a rational program.

Creating Tens of Thousands of Jobs In Order to Conserve Energy

The energy conservation and substitution program to which the report also alludes under the expression "control of uses and consumption," essentially concerns the residential sector, the tertiary industries, industry and transport. Here, too, of course, two growth scenarios are taken into consideration: 2.5 percent per annum and 4.5 percent. In the first hypothesis, a total of 33.7 MTEP of savings is anticipated for consumption of 179.5 MTEP in the sectors concerned. In the second, the energy savings would amount to 38.2 MTEP for total consumption of 197 MTEP. The most important effort will be borne by the residential sector and the tertiary industries (16 or 18 MTEP). Industry, for its part, will realize a savings of 9.5 or 10.5 MTEP, whereas the transport sector will save 8.2 or 9.7 MTEP.

These energy savings will chiefly be achieved, on one hand by the indirect means of influencing behavior or "promoting uses," and, on the other, by studies and investments. In order to maintain the above cited objectives, it will be necessary to authorize a financial effort of Fr 36 billion per annum as a yearly

average in 1981-1990 (hypothesis 1) and of Fr 50 billion (hypothesis 2). This effort breaks down as follows: Fr 25 (or 37) billion for investments and studies and Fr 11 billion (or 13) for promotion of uses. The Fr 36 billion—which is equivalent to tripling or quadrupling the Fr 11.5 billion invested in energy savings in 1980—would make possible the creation of 236,000 jobs (330,000 jobs in hypothesis 2).

But the report stipulates that such control of energy consumption would necessitate the establishment of an adequate "infrastructure": suitable and stable financing, administrative planning of decisions, organization of the services and trades concerned, training of men, development of innovation.

On the other hand, parallel action would be undertaken in the different sectors. Thus, for example, four types of actions are envisaged in the tertiary industries: maintaining influence on behavior (better application of rules), a reduction in energy consumption on the order of 50 percent in new houses (insulation, etc.), studies on old buildings stimulated by incentive measures (regulatory action, fiscal measures, improved loans), replacement of electrical equipment.

Finally, these economies are simultaneously accompanied by major energy substitutions. An overall rise in the consumption of coal, new energies and electricity would result in a drop in the share of fuel oil and petroleum products in total energy consumption. Thus the following changes are anticipated in the industrial and tertiary industry sectors: an increase in coal and new energies from 8.9 MTEP (in 1981) to 19.5 MTEP (in 1990); an increase in electricity consumption from 44.2 MTEP to 65.5, and a drop in consumption of petroleum products from 44 to 22 MTEP.

Proposals for the Government

Give Preference to "French Energy Sources," Thus Giving New Impetus to Economic Growth

The government proposals of the Energy and Raw Materials Administrative Group will essentially result:

- from analysis of the international situation;
- from the desire to avoid energy becoming a curb on growth;
- from the conviction that any forecast is uncertain.

In the first case, it is a question of "giving preference to the criterion of independence," knowing that tensions will only increase on the world energy scene. Hence the idea of restoring the balance of the relative weight of coal, with a "clear and calculated preference for French coal," of pursuing the "development of a competitive nuclear industry," of being "particularly aware of supply conditions for sensitive raw materials."

A second preoccupation: the energy policy "must contribute to the revival of economic growth" for which the government is praying. While independence means the creation of direct uses and relief from foreign constraints, it also comes from mastery of technologies and the existence of an industry capable of furnishing the equipment necessary for energy conversions (new energies, nuclear energy,

coal, savings, substitutions). Finally, any forecast is uncertain; thus it is advisable to take precautions as best possible against risks and consequently to acquire the necessary "flexibility." Thus electrical production facilities that are 70-percent nuclear powered are "a marginal and instantaneous optimum" but not an optimum in case of unforeseen difficulties.

Another factor of uncertainty is costs. The development of oil prices is uncertain. The cost of importing coal and uranium could depend on the adjustment of supply and demand, which varies greatly depending on the period. This is why the report suggests maintaining "a certain degree of aggregate overequipment in production capacity," especially in electronuclear production, adding, "With regard to the uncertainties of the next 20 years, the cost of overequipment has nothing in common with the total economic cost of a possible breakdown in supply." As a result of the foregoing, the report proposes that the government provide incentives for coal consumption at the EDF [French Electric Company] electric power plants and in industry. In this hypothesis, it is clear that mastery of consumption and sources (coal, renewable energies, nuclear energy, gas, oil) implies action in key fields to which we shall return tomorrow:

- Research and development;
- Associated industrial development;
- Intelligent uses of electricity;
- Mineral raw materials and energy.

1980 Energy Summary
Broken Down By Energy Type

	1981		1990				(9) 1990 VIII ^e Plan Programme Giraud	
	Mtep	%	Crois. faible (7)		Crois. forte (8)		Mtep	%
Charbon (1).....	33,5	17,7	31,5	15,3	39,5	17,1	33/28	14/11,5
Pétrole (2).....	93,0	49,3	66,2	32,1	74,0	31,9	68/80	28/33
Gas (3).....	24,6	13,0	27,3	13,3	31,0	13,4	42/37	17/15,5
Hydraulique (4).....	15,0	7,9	14,5	7,0	14,5	6,2	14/14	6
Energies nouvelles (5).....	3,4	1,8	9,0	4,4	11,0	4,7	12/10	5/4
Nucléaire (6).....	19,5	10,3	57,5	27,9	62,0	26,7	73/73	30
Total	189,0	100 %	206,0	100 %	212,0	100 %	242	100 %

Key:

1. Coal
2. Oil
3. Gas
4. Hydraulic
5. New energy sources
6. Nuclear
7. Weak growth
8. Strong growth
9. Eighth Plan Program of Giraud

[Excerpt] Energy: Mastering Supply Sources

While the seven deputies of the National Assembly energy information mission, presided over by Paul Quiles, visited the La Hague plant yesterday, the Ministry of Energy indicated that the various documents which will serve to fuel the debate will be revealed to the public even before the opening of the debate. It should be noted that the report written by the Energy and Raw Materials Administrative Group within the framework of preparing the 2-year plan apparently constitutes only one of the documents to be added to the file. Its publication, planned for next Tuesday, was moved forward yesterday by the Ministry of Energy.

Nuclear Energy in Its Proper Place

Nuclear energy has constituted the dominant element of French energy policy up to now. It has "considerable advantages which may make it one of France's major assets in the next 20 years." On the other hand, the atom presents specific and serious risks to individual and collective security, risks in management of the wastes produced and risks in the resulting social style. "These risks must and can be mastered." Priority must be given to these problems, the Hugon report affirms.

On the other hand, nuclear energy is the means of electricity production "which may be considered the least expensive for long periods of operation." The cost per kW/hr produced by a power station to be put into service in 1990 and functioning as a base amounts to 16 centimes (since 1 January 1981) for nuclear energy, 26 centimes for a coal-powered plant and 54 centimes for fuel.

The report proposals aim at mastering management of energy sources, guaranteeing security and solving end-of-the-cycle problems (waste management). They advocate, moreover, a change in direction for the nuclear program in order to give this energy its "proper place in the energy picture." The part of the present program which has not been made the object of a freeze is adequate to satisfy electricity consumption on the order of 415 tW/hr in 1990. But the development of consumption after 1990 and the necessity of not "checking" industry inevitably requires a commitment to new power plants during the next few years. The present growth rate of electricity needs varies from 16 to 23 tW/h for 1990; this growth faces the problem of development of electricity uses. Emphasizing the necessity of undertaking a very precise forecast for 1990-2000, the report considers it necessary "to make guaranteeing the reliability of the electricity supply a priority."

The report also explains in substance that the uncertainties associated with the oil supply, for example, leave a threat hanging which militates in favor of over-equipment in production facilities.

The electronuclear equipment program "will thus be pursued at this rate in 1982 and 1983," the report concludes, recommending revisable planning of commitments,

for example, biennially, in order to conduct and master the development of nuclear power, taking into account: solutions contributed to the problems of security, disposal of wastes and social style (as initially indicated); the results of efforts on consumption, substitutions and new energies; and the development of foreign constraints (oil, coal, gas, uranium).

New Energies: A Long Road

Three good reasons for developing renewable energies are their high level of independence from foreign sources (a vigorous industrial development policy would even make possible additional currency resources by exporting materials and know-how); their cost, which is beginning to be lower than that of oil sources; finally, their flexibility, which makes it possible to decentralize exploitation and combine renewable energies with other forms of energy.

Nonetheless there is still a long road to travel. For the introduction of renewable energies is still, in most cases, at the experimental or prototype state. Only truly industrial production could give these new energies profitability comparable to that of traditional sources (the price of a solar panel, for example, could be divided by two if it were manufactured in large series). It is therefore urgent that the vicious cycle of stagnation of supply and demand be broken, the Hugon report notes. According to the experts, development should follow three principal axes: delegation of the responsibility for renewable energies to the regional agencies; organization of articulation between centralized and decentralized levels; and support of a long term research effort.

Gas: Taking Over From Lacq and Groningue

In France gas supplies 12.5 percent of primary energy consumption (25 MTEP) versus 15 percent or more for our European neighbors. Now, world reserves are estimated at 70 trillion cubic meters. The figures presented for 1990 are conservative, however: the high estimate is 27 to 35 MTEP or 13 percent of total consumption.

The point is that France must above all resolve its supply problem decisively under conditions of security and reasonable prices, in the report's analysis. The quantities coming from Lacq and Groningue (Netherlands) will be nearing extinction in 1990. Now, the quantities expected from the most advanced gas projects (USSR, Gulf of Guinea) are less than 32 MTEP.

Hence the necessity of increasing the flexibility of the gas chain in order to avoid the danger of a default by Algeria or the USSR, by developing a balanced distribution of users, stoppage clauses and underground stores, among other measures.

It is advisable to continue the diversification effort (Canadian Arctic, Antilles, Middle East, North Sea, Nigeria) by laying the foundations for a balanced agreement with Algeria that is consonant with an intergovernmental codevelopment agreement. Finally it is necessary to find a common strategy with our European partners, to encourage exports to France and to examine closely the possibilities offered by gasification.

Oil: Guaranteeing Refining and Supply

Today oil represents more than half our energy balance. It will represent still more of it--close to a third more--in 1990. Thus it remains an essential element of energy policy. Taking into consideration the necessity of adapting refining to the manufacture of light products and the necessity of surplus production capacity for distillation, the report notes that the French refining industry's financial difficulties are placing the country in a situation of vulnerability. If the necessary investments are not obtained (15 billion between now and 1990), France could be forced to import 15 to 20 million tons of finished products in 10 years.

The Hugon report advocates using the law of 1928, which is an instrument for better diversification of supplies which the two public oil groups have been entrusted with implementing.

Emphasizing the necessity of a policy on stockpiling, the report suggests that a long term industrial policy must be established without delay with respect to refining. "This policy would be based on regulating the contractual prices for petroleum products, which would be stable over time, affording the best transparency and guaranteeing long term coverage of supply and transformation costs."

Coal: Priority and Realism

Despite the necessity of resorting to imports, coal is capable of strengthening the security and independence of energy supplies. But in order to achieve this, French policy must be oriented along three axes:

Priority for French coal. This priority must be made the object of clear and stable long term contractual rules between the government and the National Coal Board. But it is already advisable to reverse past trends by stabilizing production as fast as possible. This is the gist of the budgetary proposals, which provide for a 30 percent increase in public aid to the National Coal Board in 1982. The subsidy for French coal would be fixed at 2.4 centimes per thermal unit, or close to Fr 3 billion at the present level of production. Moreover, the investments of the National Coal Board would be increased to Fr 1.5 billion.

Development of coal users. The future of the coal market, the report explains, depends in the short and long run on consumption in the form of direct combustion in industry and in the collective furnaces of the residential and tertiary industry system (heating systems). The necessary investments must benefit from the same incentives as those provided by energy savings. For a few more years the principal use of coal will continue to be the preferred means of alternate energy production, displacing the use of fuel oil to the maximum.

Control of foreign supplies. The mining operators must retain the objective of controlling production from foreign resources, which is on the same order of magnitude as our imports.

This being the case, the report, while emphasizing the necessity of preparing the bases for new development (revival of prospecting, a long term investment program, training action), also displays realism: "A solid long term policy can be conducted only by giving the greatest attention to economic constraints and [article breaks off here.]

NATIONAL ENERGY COUNCIL ACCOMPLISHMENTS STATUS REPORTED

Athens O OIKONOMIKOS TAKHYDROMOS in Greek 17 Sep 81 p 40

[Text] The need for a multilateral and deeper study of the energy sector, the need for a systematic monitoring, development and analysis of the extent to which energy influences the economic life of the country, and, finally, the need to map an energy policy which can assure the needs of the country for a long term, and at the cheapest possible public cost, contributed to the creation of the National Energy Council (ESE).

The ESE was established in 1975 under Law 84/75 and was appointed as the highest consultative body of the state on all matters regarding energy and energy policy. The ESE is basically constituted of two branches: the Council, or the totality of members, and the Scientific Secretariat.

The Council has 12 members who, in their majority, come from energy organizations such as the Ministry of Industry and Energy, the DEI [Public Power Corporation], the DEP [Public Petroleum Corporation], the State Refinery, and the Institute for Geological and Mineral Research (IGME).

The scientific and analytical work of ESE is performed by its Scientific Secretariat, which today consists of a scientific staff of the highest level. All members of the Secretariat have done postgraduate work abroad, speak at least one foreign language, have specialized knowledge and experience in advanced energy and technology and methodology.

With such a foundation, the ESE has the potential--if properly used by the government--to play a primary role in the planning and coordinating of a correct and rational energy policy. Let's briefly list the achievements of the ESE in the five years of its operation.

Perhaps the greatest accomplishment of ESE was the writing and publication, in 1976 and 1977, of the "Reports on the Energy Policy of Greece", where, for the first time in our country, there was planned and made public a comprehensive energy policy. Despite the fact that many details have changed since 1977 to date, the basic principles and means of this policy still exist.

From the rich and constructive work of ESE, which covers basic research studies, proposals, preparation of legislative bills, international presentations (DOE [International Economic Committee], EEC, UN), international cooperation, publications, the following are especially noteworthy:

The systematic yearly compilation and publication of data on energy for the entire energy system of the country with a view to the balancing of energy resources.

Studies and proposals for local lignite coal, for example, the definition of "low value" for lignite coal, the exploitation of the medium-to-small lignite deposits for uses other than electrical, gasification.

Studies and proposals for the importation of natural gas; for example, the connection of Italy and Greece with an underwater pipeline (the commissioning of SNAMPROGETT to do the survey), the problems of consumption of natural gas by different consumer sectors, negotiations with suppliers.

Studies and proposals for the substitution of imported coal instead of petroleum for electrical power production and industry. Study of the motives which were comprised in Law N.1116/81.

Studies for nuclear power in Greece. Comparison of costs of petroleum, coal, lignite, and nuclear plants.

Studies and proposals for the expansion of the use of synthetic gases in the cities. The modernization of DEEA [Athens Public Gas Corporation]. The creation of small propane gas networks in other cities.

Studies on the feasibility of expanding the use of solar energy systems in Greece. Pilot plants. International cooperation. Study, monitoring laboratories of solar collectors. Model monitoring of solar collectors.

Studies for the exploitation of geothermal energy of low temperature (hot water) in Greece. A network of district heating in Serrai (co-financed by EEC).

Studies and proposals of legislative measures for energy conservation (tax incentives for solar heating plants), Act of Ministerial Council 237/80, Law N.1116/81).

Studies, research, educational programs and preparation of legislation for the improvement of the output of boilers for central heating. Training of furnace operators. Sample measuring of the output of 300 boilers.

A campaign to make the public aware on how to conserve energy in their homes. Television spots to heighten awareness. Leaflets (four-fold, 80 ways).

Activities of the Committee for Energy Conservation in Industry. Publication of pamphlets by EPEXEV [Committee for Energy Conservation in Industry]. Visits to various industries; seminars to promote conservation of energy in industry.

Studies and proposals for energy conservation and the substitution of fuels used in transportation. Diesel and liquid gas fuels.

Studies and proposals on price policy. Electrical power (study SURVEY). Impact of the drop in energy prices on the price index. Criteria for the approval of energy-consuming industries.

Representation of the country at the DOE [International Economic Committee], the energy committees of EEC, UN, etc.

Studies of investment in energy-providing industries. Impact of the drop in the intensive program of investments in energy for 1980-90.

These are some of the main topics which ESE covered and which set the foundations for the planning and implementation of the energy policy of the country. Most of the above studies were prepared by the scientific personnel of the ESE Secretariat.

Other studies yet were contracted out, always under ESE's responsibility, to special study or research teams of other energy organizations or to private individuals, Greek or foreign. The ESE, whose task it is to formulate proposals to the government in a responsible and well-documented manner on all matters regarding energy policy, is quite often forced to resort to the expertise of specialists and let out contracts for studies and other related matters which cannot be carried out by the Secretariat, either because of workload or because the Secretariat does not have at its disposal the necessary, specialized scientific knowledge on a particular subject on which it is called to report. This possibility was wisely anticipated by N.84/75, the law which created ESE.

In general, we can say that the ESE and particularly its scientific Secretariat have always had limited means as regards the job it has undertaken. It is to be noted that today the staff of the Secretariat consists of 16 individuals, of whom 12 are scientists. Of these 12, two are permanent employees of the Ministry of Coordination, seven are employed under civil law contracts, which are renewed more or less on an annual basis, and three have contracts which are also renewed yearly, but with increasing difficulty. Worst of all is the fact that not a single permanent staff position is anticipated either for ESE or its Secretariat. The result is that all of these young men of ESE with their impressive qualifications, who work diligently and are paid at minimum union salaries, and occasionally much less, and who essentially plan Greek energy policy, do not have any guarantees for the future of their working relationship with the government.

After the publication of Law N.993/81, following the freeze in hiring and the specific prohibition of renewal of work contracts of any kind by the deputy prime minister, 10 of the 12 scientists of ESE are today in danger of finding themselves without jobs.

And we ask: How is it possible for the government to allow its highest advisory body on matters of energy, which is one of the most vital sectors of the

economy, to reach the point of being disbanded? How will the government be able to retain these men or attract others when it treats them in this manner?

For the past year the Ministry of Coordination has been working on a bill which regulates personnel matters in the Scientific Secretariat of ESE. In accordance with this bill the two basic premises for an effective operation of the ESE are created or restored.

First, 22 permanent staff positions of scientific personnel of the highest level are created where, today, not even one exists. These positions will be filled mainly by scientists under civil law contract with a sliding salary scale. Thus, the Secretariat will be able to attract the personnel it needs in order to perform its specialized task.

Second, the power of the ESE to assign under contract, at its discretion, special projects to third parties is put into effect and reinforced. Thus, the potential of the ESE is increased because it can ensure the collaboration of "specialists" for specialized research and projects.

The activities of the ESE to date, which we have briefly listed, give the assurance that this service can be a really up-to-date, articulate, dynamic organization greatly contributing to the planning of energy policy and the coordination of its implementation. A necessary premise for this though is a proper organizational foundation.

Let's hope that the government and the minister concerned will not leave such a significant project as was the formation of ESE half-finished but that the minister will push for the relative legislation, thus, giving this body the support and authority it deserves.

9731

CSO: 4621/14

ECONOMIC UPTURN NOT EXPECTED UNTIL 1982

Vienna DIE PRESSE in German 1 Oct 81 p 7

/Text/ No economic upturn is to be expected this year. At best the upturn will begin at the turn of the years 1981/1982 and then proceed rather hesitantly. Exports are going to be the mainstay of business. This time, though, the two economic research institutes differ considerably in their appraisal of Austria's future economic development. While the Institute for Advanced Studies (IHS) projects a 3.2 percent growth rate for 1982, the Economic Research Institute (Wifo) issued a more cautious forecast of 2 percent. Inflation will slacken in 1982, real wages rise slightly.

Differences are also pronounced with respect to predictions of unemployment rates. Wifo assumes an increase next year; the IRS experts are somewhat more optimistic. Still, Wifo director Dr Helmut Kramer points out that even at 2.6 percent the unemployment rate of 1982 will be tantamount to full employment, though by comparison with 1980 (1.9 percent) the situation will definitely worsen. Regional unemployment and employment problems in some job groups are unlikely to diminish.

As regards the forecast of price developments, the two institutes do not differ very much. It is not impossible, though, that inflation will show another temporary rise this year. Next year, on the other hand, the rate of price increases is expected to noticeably weaken.

Real incomes are expected to improve somewhat in 1982. While employees this year will just about break even, they may look forward to a slight rise, about 0.5-1 percent. Generally private consumption is expected to revive a little next year.

Dr Erhard Fuerst, deputy director of IHS, assumes that interest rates will gradually weaken in 1982. As a result entrepreneurs will show increasing readiness to build up stocks and carry out investment projects planned earlier. Wifo, on the other hand, expects investments to weaken next year, because rationalization investments are nearing their end in 1981. At the same time the financial situation of firms is not good and capacity utilization poor, so that expansion investments will hardly be required. At the present time production capacities are utilized to barely 90 percent.

In its first comments the Federation of Industries notes that the revised Wifo forecast is unduly optimistic with respect to the construction industry. The federation points out in this context the announcement of a worsening of depreciation terms for

building investments. As regards the export situation, the rise in exports in the first 9 months of 1981 was due to increased efforts by industry to sell abroad. The federation is rather concerned about the persisting discrepancy between savings influx and the demand for loans because, among other injurious effects, this gap threatens to damage industrial financing.

Indices of the Economic Situation

Percentage Changes Compared to the Previous Year

	1980	Wifo Forecast		IHS Forecast	
		1981	1982	1981	1982
Real gross national product	3.1	0	2	- 0.3	3.2
Real private consumption	1.5	0	1	- 0.1	1.5
Real gross capital investment	2.2	0	- 1	- 0.9	2.4
Consumer prices	6.4	7	6	6.8	6.1
Unemployment rate	1.9	2.3	2.6	2.3 ¹	2.3 ¹
Real goods exports	4.3	4	6.5	5.7 ¹	6.5 ¹
Real goods imports	6.1	- 4	4	- 0.9 ¹	5.8 ¹

1--Including statistical difference

11698

CSO: 3103/21

RECESSION IN BUSINESS ACTIVITY CONTINUED THROUGH SUMMER

West Berlin DIW WOCHENBERICHT in German 17 Sep 81 pp 432-435

/Text/ Affected by the difficulties arising from exceptional monetary restrictions and increasing fiscal contraction, accompanied at the same time by steeply rising import prices, the recession in the FRG is continuing in the summer also. The impetus given by foreign demand is the only reason why the total output level is not declining further and has indeed been stable at a point of stagnation since the beginning of this year.

The latest fiscal decisions by the Federal Government will probably act as an additional dampener on economic activity even before taking effect, because uncertainty among consumers has thereby been increased rather than diminished.

With some fluctuations the output of processing industry has been steady at about the same level since the end of 1980. Even so it is about 2.5 percent--distinctly lower--below the corresponding period of the previous year. A look at the development of the real receipt of orders at processing industry since last fall shows that the relative stabilization of production is definitely due only to the strong rise in foreign demand. This is currently almost 15 percent higher than last fall, the lowest level of the past 3 years. On the other hand, domestic orders received by processing industry have not yet bottomed out. To be noted is only the fact that the steep downturn characterizing developments in 1980 no longer continues. Probably the trend of domestic demand would be even more unfavorable if export demand did not provide an incentive for stockpiling by domestic producers.

Internal economic trends, supported only by foreign demand, tend more than ever to produce instability. The development of orders from abroad in the course of this year has shown that the strong month to month fluctuations, caused by occasional major orders and also by speculation about the further progress of D-mark exchange rates, are conducive to frequent doubts about the permanence of this the only mainstay of economic activity. However, the large receipts of orders in July, relatively well distributed over all groups of processing industry, seem to indicate that this support may well continue at least for the coming months, and so may the D-mark exchange rate (benefiting price competitiveness), especially in relation to the U.S.dollar and the yen. This appraisal of the stability of export business is also apparent in the responses of the firms participating in the business poll by the Munich Ifo Institute: On balance export expectations were quite optimistic.

The situation in the construction industry, barely affected by foreign influences, is radically different. The statistically ascertained output trend pointing upward since the beginning of the year definitely belies the actual business situation. In the development of construction output weather factors are decisive. They resulted in a particularly severe cutback of production in winter. The subsequent "normalization" was evidently encouraged further by attempts to some extent to make up the weather-related production losses. The result was an output level exceeding expectations. However, the order stock of firms, measured by its range, has again declined substantially. This will compel further production cuts in the coming months. Considering the large share of the construction industry in the economic net product, this represents a considerable counterweight to the stabilization trends generated in the processing industry.

The factors of economic influence reflected in the basic trend of construction output and real construction investments, that is restrictive monetary and fiscal policies, now evidently also affect equipment investments which had so far been relatively steady: Real domestic order receipts tend now to be on the decline in machine construction and among the producers of electrical engineering equipment, and this is bound to be reflected in the coming months in the real domestic turnover of producers and, therefore, the capital investments of investors.

Stagnating or even declining production lowers the opportunities for advances in productivity in the economic sectors affected, because the utilization of manufacturing capacities as well as of the manpower employed tends to decline as a consequence. At the present time, for instance, productivity per man hour in producing industry is depressed, though it no longer tends to drop--as was the case during the downswing stage last year. That is the main reason for the decided rise in wage costs per item in processing industry, despite the moderate wage agreements negotiated in this year's round of negotiations. Together with the hefty rise in prices of imported previous stage goods, this causes noticeable pressure on corporate profits and, together with exceptionally adverse terms of outside financing, inhibits the inclination to invest.

Severely limited in view of the weak demand are opportunities for passing on higher costs to the customers. True, prices of goods and services for private consumption have shown a sharper rise in recent months; they were 6 percent higher in August 1981 than in August 1980. This, though, hardly reflects the passing on of higher domestic costs. The most pronounced rises were noted in prices of goods with a high input of energy or imported raw materials. That affects not only oil products and natural gas but also electricity prices and energy intensive products from the sectors of the basic materials and production goods industries as well as the consumer goods industries. For products of the investment goods industry, relatively little affected by imported cost inflation, domestic prices were only 4 percent higher at last report than in mid-1980; the trend has indeed been toward a slowdown of inflation, an indication of the FRG's admirable price stability compared with the international economic situation.

The undesirably large increases in consumer prices have by now resulted in a noticeable diminution of real incomes of private households. The rate of price rises in the second quarter of this year, for example, decidedly exceeded the rise in total net wages and salaries paid to employees: The price rise was almost 1 percent higher; this ratio deteriorated further in the summer. That is one of the reasons why

private consumption, in contrast to earlier instances of economic weakness, failed to help stabilize total demand; indeed it is among the elements reducing it. In the circumstances retail turnovers were unable to achieve the previous year's results in real terms; in the past few months they dipped 2-3 percent below them.

As was to be expected, unemployment continued to rise sharply in view of the continuing unfavorable economic situation. In August it amounted to almost 1.3 million, seasonally adjusted to 1.35 million. Unemployment is therefore 500,000 above the low recorded at the turn of the year 1979/1980.

Outlook

There is every indication that the coming months will not witness a revival either. Weak growth and steadily increasing unemployment will therefore characterize developments in the second half of 1981 also. Moreover, the four total economic targets set out in the stability and growth law will definitely be missed. Superficially considered one might believe that the situation--now persisting for some considerable time--will remain basically the same.

A more sophisticated analysis, on the other hand, leads to the conclusion that the near future will see shifts in the extent of missed objectives. In the first place this will hold true for the foreign trade balance, measured by the balance of the current account. Already in recent months the deficit has noticeably shrunk, following the record amount recorded in the first quarter of this year. We may expect the activation of the balance of trade to continue, because it is due to this development. This will provide more favorable conditions for the trend of exchange rates also: Distinctly lower current account deficits will increasingly allow the determinant "inflation differences" to affect the exchange rate. An early revaluation of the D-mark would not be surprising. But even a stop to the further deterioration of the rate of exchange would be enough to ward off imported price increases and, therefore, yield a slowdown in the rise of consumer prices. It is to be assumed that revaluation of the D-mark will yield a rate distinctly lower than the highest rate of the previous year. The price competitiveness of German firms will therefore continue satisfactory. From this aspect the foreign trade balance and price stability appear less endangered now than earlier.

No such benefits, however, are in view for the remaining two targets. At best we may expect renewed economic growth at an as yet unknown point in 1982; the employment target will therefore be missed to an increasing extent. We can describe as merely vague the hopes that economic policy will make a contribution toward overcoming the weakness of economic growth: True, an improvement in the D-mark exchange rate would help monetary policy (even from the standpoint of the Bundesbank) to provide some scope for lower interest rates. This would be quite important for overall economic trends, because the restraints on greater stockpiling by the producers as well as traders would be somewhat relaxed. However, as regards fixed investments, especially housing construction, any easing of monetary restrictions--even were it to begin immediately--would have rather delayed effects.

In fact we must reckon with greater fiscal restrictions. The cabinet decisions for the 1982 federal budget--affecting also the fiscal policies of Laender and municipalities--show that public demand will be definitely below the potential.

The government will, therefore, behave in a procyclical manner and contribute to the weakness of demand. That is the exact opposite of the stimulation of demand. The major justification for this denial is the argument that demand stimulating measures no longer promise the same success as in the past; that in fact they contribute to the worsening of the situation. No evidence for this doctrine has yet been forthcoming. Admittedly, advanced foreign trade interrelations of any country narrow the multiplier effect of demand political measures. High inflation rates also may adversely affect their results. This second reason, though, does not exist in the FRG now. The fiscal approach now taken must therefore be described as inappropriate. It would be suitable only in a phase of economic overheating, certainly not in a recession. The fiscal efforts for consolidation are proceeding at the wrong time.

Moreover, the measures adopted do not indicate any restructuring of the types of expenditure important to growth and employment. The hopes of the economic authorities for investment incentive effects seem to be based entirely on the modification of write-off terms. Though this does indicate the beginning of a correct redirection, but the question of the extent of their effects on profits and that of the duration of the lag recommend a cautious verdict.

Doubts also arise with a view to the equilibrium between the income cuts linked with the planned savings. That applies not only to cuts in the family allowance amounting to a revocation of the recently granted raise. It also holds good for various measures in the sector of public service. It seems that insufficient attention has been devoted to the danger of combined effects on individual employees. Are are bound to be apprehensive of seeing a definite worsening of the income situation in certain cases.

Discussed in connection with the consolidation measures--at least for a short time--was also a program to improve the employment situation, which was to be allocated DM1.5 billion. We cannot feel regret that this mini-program was eventually dropped. If we consider the dimension of public resources really required to revive growth and improve the employment situation, such a program would merely have served as an alibi. After all, going by the planning so far published, the investment budgets of Federation, Laender and municipalities are to be about DM5 billion lower next year than actual corresponding spending in 1981. Required to stimulate the economy would be expansion rather than cuts, at least by the amount which is actually to be cut. It remains to be seen whether, impressed by a rate of unemployment rapidly approaching record levels, fiscal policy will ultimately decide for an appropriate policy after all.

11698
CSP: 3103/25

KIEL INSTITUTE PREDICTS INCREASED UNEMPLOYMENT

Frankfurt/Main FRANKFURTER RUNDSCHAU in German 21 Sep 81 p 6

/Text/ Josef Stingl, president of the Nuremberg Federal Institution for Labor, and the researchers at the Kiel Institute for World Economy (IfW) sketch a pessimistic forecast of the employment situation. Last weekend Stingle stated in a broadcast "Talk from Frankfurt" on Hessen Radio, that a 4-5 year period of drought had to be expected on the labor market, even if economic growth were to revive. He gave as the reason the fact that, while it was possible to predict the growth of native job seekers on the basis of the birth rate, the extent of future immigration by foreign workers could not be foreseen. Basically, therefore, the current difficulties would persist until the end of the 1980's.

In the view of the Kiel economists no economic revival is to be expected in 1982 either. This year the real national product will probably decline by about 1.5 percent, and they consider another decline in 1982 more likely than growth. The annual average unemployment will therefore be about 1.75 million, says an analysis prepared for the 24th Kiel Economic Conference. In the first 8 months of the current year year average unemployment amounted to 1.2 million, 38 percent more than in the comparable period of 1980. The Federal Government expects an average of "only" 1.4 million unemployed for 1982. This prediction is based on a 2 percent growth of the economy.

For the unfavorable outlook the Kiel institute blames, among others, the procyclical behavior of public budgets which have not exerted any positive effect on investments, and considerable risks in the export business. Though the much improved competitive position caused by the real devaluation of the D-mark will still favorably affect exports in the second half of 1981, the adverse economic outlook abroad may well counterbalance these benefits.

The Kiel economists consider it necessary for any lasting decline in unemployment that the rise in real wages should "for several years" lag behind the rise in productivity available for distribution. Fiscal policy could help improve the employment situation by reducing contribution rates and creating more incentives for investment. Of course it would be a prerequisite for the expenses of public budgets to be diminished by cuts in subsidies, greater efficiency in the public sector and the reform of the social network.

Stingl, by contrast, rejects the notion of changing the "matured social security system of the Federal Republic." In this context he disputed any lowering of the

percentage rate of unemployment compensation. After all, he argued, the unemployed worker is also a consumer and affects economic events.

As regards the criticism of the amount spent by his agency on retraining and further education, Stingl said that studies had brought evidence of substantial successes in this field.

11698

CSO: 3103/24

NATIONAL BANK PRESIDENT ON INFLATION, INTEREST RATE

Zurich DIE WELTWOCHE in German 30 Sep 81 pp 19, 21

/Interview with Fritz Leutwiler, president, National Bank, by Wolfgang Winter/

/Text/ More than 7 percent inflation--and all eyes turn to him. Fritz Leutwiler is aware that "a rather high rate of inflation" will plague us "in the next 6 or even 9 months." And he lays out "a disagreeable scenario"--coupled with a definite recession. At the margin of the world monetary conference in Washington Wolfgang Winter talked with the president of the Swiss National Bank.

/Question/ Dr Leutwiler, you have once again gone to Washington for a world monetary conference...

/Answer/ ...My experiences here are somewhat frustrating. Little progress is apparent in international monetary policies. Moreover the old problems are also the new problems: Tension between the industrial and developing countries, for example. I get the impression that the strong are getting stronger and the weak even weaker--if such a thing is possible...

/Question/ Two years ago, on a similar occasion in Belgrade, you admitted to being positively "ashamed" of Swiss aloofness with regard to multilateral development aid policy. Does our only authorized observer feel somewhat happier at this conference, following the transformation of earlier IDA /International Development Association/ loans into gifts and the creation of a credit line for bilateral aid?

/Answer/ Do you think we project a better image now? We still do rather poorly. IDA* continues to concern me very much indeed. This aid organization for the poorest of the poor is still a good institution.

/Question/ I am of course tempted to use the old slogan "accession."

/Answer/ That slogan is interesting for Bern. Work there is progressing. In the not too distant future the report will be submitted to the Federal Council as requested. Involved is not only the issue of the United Nations but also the monetary fund and the World Bank. It is a ticklish matter for me to adopt an attitude to an

* IDA is one of the three organizations of the World Bank

issue which still awaits the opinion of the Federal Council. Let me just say this: From the standpoint of the National Bank accession is not indispensable with respect to purely monetary aspects. However, there are other and entirely legitimate reasons. Among others the appreciation that it would be difficult to explain why Switzerland might join the United Nations but refuse to join in where it would have most to say and contribute.

/Question/ Your answer therefore is not a categorical no, even without new elements at this conference of the world monetary organizations?

/Answer/ The new element is a new American Administration which champions other standpoints: Clearer, more resolute and decided and, in some matters also harder...

/Question/ ...harder, I suppose, in maintaining high interest rates. You have always had understanding for that.

/Answer/ We Swiss must be about the only Europeans who do not join the chorus of reproof for American policy. We do not do so because we simply have no alternative, because we are convinced that this approach, however painful, is the only correct one.

We would prefer to see somewhat lower American interest rates. This would permit us to pursue the same restrictive policy with interest at a somewhat lower level. Here the struggle against inflation will have to be pursued entirely by monetary policy. This means that monetary policy must be more restrictive than would be necessary if it were to receive real support. It also means that interest rates here are higher than they would need to be if monetary policy did not have to carry the whole burden.

/Question/ We now have landed four-square in our domestic interest rate and inflation problem. Before we tackle it, though, another question touching directly on the preceding issues: Our European neighbors after all have no alternative either and yet presume to criticize the U.S. line...

/Answer/ Here I have to tell some tales from school. This criticism, once you look closer, never originates with the group of my colleagues nor--as far as I know--with the German Bundesbank. It is generated entirely by the politicians.

/Question/ That also leads straight back to Switzerland. You are obviously willing to accept a definite pressure on the Swiss economy, though not a severe decline.

/Answer/ Nothing else is thinkable. It is inevitable that there will be a weakening with consequences for employment. I do not believe, though, that there will be a disaster as in 1978, because the dollar situation is totally different now. I confidently expect the new American Government not to allow matters to go so far as in the fall of 1978,

/Question/ Let us consider the rates of exchange. In the few months since May the Swiss franc has gained 7 percent compared to the D-mark.

/Answer/ The current Swiss franc-D-mark ratio is perfectly appropriate. You will surely understand that I was not entirely displeased with the revaluation of the Swiss franc vis-a-vis the D-mark as compensation of the franc's weakness in relation to the dollar. All future development depends on monetary policy. If the Germans were to have the opportunity of somewhat loosening the monetary reins (which they would love to do), while we kept our foot on the brake pedal for some time longer (which we would also do), the Swiss franc could indeed gain more vis-a-vis the D-mark.

/Question/ ...but only, as proclaimed in 1978, until "well beyond 1980?"

/Answer/ We have never taken back this statement. You may therefore assume that it is still valid. Let me say something about the yen. My Japanese colleague told me quite frankly here that the Japanese would prefer to line up with us instead of the dollar should the Swiss franc and the D-mark again strengthen vis-a-vis that currency. And I would not consider a revaluation of the Swiss franc over the yen to be economically warranted. I rather see a group of three--D-mark, yen and Swiss franc--moving along on a parallel course.

/Question/ A word about the dollar. What would happen if it were to decline on its own accord?

/Answer/ If American interest rates were to decline or American monetary policy ease for other reasons--which I do not expect; the American Secretary of the Treasury has reaffirmed here that he fully backs the policy of the Federal Reserve--if, to assume the hypothesis, this were to happen after all, if the dollar were to decline, I do not think that we could exclude the possibility of the Swiss franc's overshooting. In that case we in Switzerland would have to be on our guard and see to it that we do not slide into another trend such as 1978 and are then compelled to pull the emergency brake. However, I cannot assert that we have this under complete control. Considering our policy of restrictions, especially if extended for any length of time, the danger of overshooting is bound to be present.

/Question/ Would could be done better than in 1978?

/Answer/ That needs a careful answer. Quite certainly we will have to reflect a while longer before again pulling the emergency brake after, in the meantime, having drawn up the cost:profit account. We have paid a high price. I do not positively affirm that the exercise would be repeated in no circumstances whatever. I am merely saying it should not be assumed that the National Bank would turn the monetary controls 180 degrees at the first sign of overshooting.

/Question/ Lately your colleague on the board Lusser spoke of an 8 percent or higher inflation rate.

/Answer/ I feel some inhibitions here. Lusser wanted to say that inflation in this dimension can no longer be judged by tenths of percentage points which depend on so many accidental factors. He also meant--and I share his opinion--that we have not yet gotten over the worst of inflation. I do not reproach anybody for a wrong prediction. In that case I would have to reproach myself. I also was too optimistic. I certainly did not expect that inflation mentality would spread so quickly.

In these circumstances forecasts are difficult. In realistic terms we will have to assume that we will have a rather high inflation rate in the present dimensions for the next 6 or even 9 months. This may vary somewhat. But the trend will not be turned around in the next few months, even if the Swiss franc were to rise a bit more, even if we were to keep our foot firmly on the brake.

/Question/ That implies a continuing high level of interest rates.

/Answer/ I am fairly sure that the upper limit has been reached in the sector of short-term interest rates at the current 2-digit rates. I cannot promise, though, that they will come down soon. The movement in the long-range sector, on the other hand, may not have finished yet.

/Question/ Not for mortgages either?

/Answer/ At current fixed deposit rates of 6½ percent and 7 percent a bank obviously cannot allow a 5½ percent mortgage rate to continue.

/Question/ It has already been decided that old mortgages will rise to 6 percent in the foreseeable future, following the increase to 6½ percent of new mortgages.

/Answer/ You said it, and I cannot deny it.

/Question/ Do you think it possible that the next round of mortgage interest rates may occur next spring?

/Answer/ I am fairly sure of that. Unless all indications are deceptive, we should by then have gotten over the worst. Of course--always provided I am not completely wrong in forecasting that we will have not only declining inflation rates by mid-year but also see recessive effects in the economy, for example the construction industry.

/Question/ Hopefully, though, another upward movement in interest on savings will not be excluded?

/Answer/ The rate of interest on passbook savings accounts is at a totally unnatural level, less than half the inflation rate. Nobody disputes that this rate no longer conforms to the market. But who is to move ahead? The major banks which would be best able to do that, are holding back (understandably), because they know very well that any rise in interest on savings would put the cantonal and regional banks under pressure. Nobody wants to make a start. That will result in a delay in raising mortgage interest rates, and therefore is not exactly unwelcome...

/Question/ Another issue is coming up for discussion again as inflation speeds up. I am referring to automatic indexing.

/Answer/ Here also misinterpretations flourish. We were earlier alleged to be opposed to indexing or to wish to impose the burden of fighting inflation on the weakest section of the economy. Obviously that is out of the question. Admittedly, though, we are against automatic indexing as such, automatic adjustment without consideration for economic possibilities. After all, we are quite aware that, whenever

indexing is negotiated, the labor unions are quite prepared to take into account the respective firm's ability to bear the load. Mainly we are of the opinion that public agencies generally, and specially the federation, should not act as pace-makers for automatic indexing with raises twice a year. We have pointed out that a good deal of the present inflation is imported and, whether we like it or not, bound to result in a loss of real income. The question therefore arises how we are going to distribute the loss of prosperity. The moment we have automatic indexing, the impression arises that nobody at all need pay for it.

/Question/ Mr Leutwiler, only a few months ago the National Bank did not wish to tighten restrictive policy. Lately, though, possibly in a fit of nerves, it did just that.

/Answer/ Not in quantitative terms. We did so rather on the lines of psychological warfare. The money supply is unlikely to grow in 1981, and we have known that for a long time. New is the uncertainty prevailing among the banks. We felt that they were relying on us far too much, so now we are keeping them on the hop. They can no longer rely on getting as much money from us at the peak dates.

As it is we have the problem of people getting more and more impatient. We apply the brake and continue to apply the brake, but nothing happens. The same holds true for America and Switzerland. We know all too well how long is the time lag between measures and effect. Even my mid-year forecast at this time is no more than pious hope; we will have to see whether it is confirmed. But, should we not see a decline in the inflation rate next year, we would really have to begin to re-write some books. For the time being I do not believe that this will be necessary, but we will have to have patience for a few months more.

It is then that we will have to contemplate two alternatives: The first is that the dollar will continue firm and the Swiss franc relatively weak. In these circumstances we will see less of a recession but also a slower decline in inflation.

The second scenario: The Swiss franc is revaluated vis-a-vis the dollar, the decline in inflation proceeds more rapidly, but the economy suffers more recession. In those circumstances the situation may arrive for the Swiss economy to be confronted with a) even higher wage costs, b) still high interest rates which will not quickly decline, and c) a rising exchange rate of the Swiss franc. That is not an improbable scenario but it is most disagreeable to contemplate. The economy, however, will do well to gear itself to the second scenario.

11698

CSO: 3103/22

KREMLIN'S DECISION-MAKING APPARATUS FOR FINLAND EXAMINED

Helsinki SUOMEN KUVALEHTI in Finnish 25 Sep 81 p 34-37

[Article by Dev Murarka]

[Text] When one thinks of the creators of USSR foreign policy, Leonid Brezhnev and Andrei Gromyko come to mind, as well as the late Nikita Khrushchev and Aleksei Kosygin, together with a few other high-ranking leaders. It is generally believed around the world that when Brezhnev makes a decision, it will be automatically ratified down the line of the power hierarchy, and that's it. Western critics have the notion that the USSR's policies are an impersonal force with very little connection with reality--as if Brezhnev created it out of a void.

But the fact is that the decisions have their basis in an intricate network of fact finders, analysts and ideologists, all of whom have significant roles in decision-making. They are thoroughly knowledgeable in the issues concerning some country, area or other specialty--sometimes from way back when the Soviet Union was only developing the stature of a great power. This tradition is more valuable than people sometimes wish to believe.

The Politburo meetings, normally held once a week, have the final say in decision-making; it is well known that Brezhnev is not in the habit of making personal ad hoc decisions even though, of course, his opinion of the problem in hand holds much weight compared to others.

The procedural system chosen by the Soviet Union epitomizes not only the will of the top-leaders but also the majority opinion created by the political-bureaucratic apparatus. Compared to the United States, it can be said that policy making in the Soviet Union is in this respect more representative of the government and the party, the ruling elite.

Duality of Decision-Making

USSR foreign policy decision-making is complicated by the fact that there are two separate institutions functioning on the higher level. On the one hand there is the Foreign Ministry, which works with foreign powers in the traditional manner, i.e., on a state-to-state basis, and carries out the political decisions. It functions as most foreign ministries do, although--as is customary in the Soviet Union--it is more uncommunicative.

The Communist Party Central Committee's Department of the Foreign Affairs operates with it side by side. It is more authoritative and in charge of formulating foreign policy as a whole, not only in regard to foreign powers but also to other communist parties.

One way to describe Moscow's management of foreign policy is to examine its operation in the Near East for example, as this area is the target of active and extensive attention in USSR foreign policy.

For instance, the Foreign Ministry manages relations with the state of Syria, but the International Department decides what the policy towards Syria is going to be, and it also manages contacts with the ruling Baath Party and the Syrian Communist Party. Similarly, the Foreign Ministry deals with the Finnish government and the state-level leaders, but the International Department deals with the Finnish communists--both factions--and the other Finnish parties.

Relations with other socialist countries are in a class by themselves. The relationships with the states and governments are, as usual, managed by the Foreign Ministry, but the actual responsibility for these countries is carried by a special department which takes care of contacts with communist and labor parties in the socialist countries. This department is headed by the Central Committee secretary Konstantin Rusakov, 72.

Nearly all the top-level leaders are closely involved with making decisions on Chinese and East European matters. In principle, the Foreign Ministry therefore has less responsibility for relations with the socialist countries, whether it is Cuba, Vietnam, Bulgaria or any other.

The International Department is headed by Boris Ponomarev, a 76-year old veteran secretary of the Central Committee and a candidate member of the Politburo. His first deputy, the senior assistant, is Vadim Zagladin. The main responsibility for Nordic affairs in the department is carried by Vitali Shaposhnikov who is also Ponomarev's deputy. Shaposhnikov has held this position for over a decade, from 1970. Near East affairs are run by Karen Brutents who is Armenian and 57 years old; he too is an alternate member for Ponomarev. Brutents is also responsible for Latin America. He has written several books on the problems of developing countries. The alternate members usually send in their recommendations to Ponomarev through Zagladin, although they also have a direct line to their superior whom they can meet with when necessary. Certain officials, who are subordinate to the alternate members, have separate countries as their fields of responsibility. Finland is the responsibility of Stepan Smirnov.

How the Communication Network Operates

The International Department, however, does not operate quite independently. It maintains constant contact with the officials in the Foreign Ministry and obtains all the information that the ministry receives from embassies and other sources. The Soviet embassies abroad are naturally the main source of information. It is difficult to know how the communication network between the ministry and the International Department functions, but certainly the ministry officials meet regularly with the officials of the International Department.

If there is political disagreement, the International Department usually prevails over the Foreign Ministry. In the Soviet Union, the party institution has priority over the government organs, as everything in the country is subject to party rule. However, when Foreign Minister Andrei Gromyko in April 1973 became a full member of the Politburo, he came to be in a higher position than Ponomarev, who has remained a candidate member. This is why the Foreign Ministry now somehow supersedes the Central Committee's International Department, although not in all matters. The International Department takes the lead when it is a question of problems in some country's communist party or ideological issues. In addition, the Central Committee has more members from the Foreign Ministry than from the International Department, for instance many ambassadors are members. Also this strengthens the role of the Foreign Ministry in broader political decision-making.

Andrei Gromyko and His Subordinates

It is obvious that Andrei Gromyko is in a position of great authority and responsibility in the Foreign Ministry. At 72 years old, he has been the foreign minister for a record period of 24 years and possesses impressively prodigious expertise in foreign politics. His very rare press conferences in Moscow are memorable occasions. Without prepared notes, Gromyko answers all sorts of questions, including those on sensitive foreign policy subjects, with wit and precision.

Under Gromyko are two First Deputy Ministers: Georgi Kornenko, 56, who generally manages the U.S. and, to an extent, European affairs, and Viktor Maltsev, 64, a former ambassador to Finland, who is responsible for the Third World and Scandinavian matters. Maltsev is regarded as being very close to Brezhnev. But since matters are ordinarily not of very urgent importance in USSR foreign policy, most of Maltsev's time is normally devoted to Third World affairs; these also include two Near East departments. Since 1973, the deputy minister in charge of affairs has been Igor Zemskov. The responsible official for affairs is Georgi Farafanov, formerly a USSR ambassador to Iceland, and the official responsible for Finnish affairs is A.F. Tishenko.

The Middle and Near East departments have been designated according to USSR terminology, which differs from the Western. Turkey, Iran, and Afghanistan comprise the Middle East department or Sredni Vostok. This department is headed by Vil Boldyrev, just over 60 years old, who was ambassador to India before this appointment. The Near East Department, Blizhni Vostok, covers all Near East countries, also Egypt, which geographically is an African country. This department is headed by Oleg Grinevski, over 50 years of age. Libya, Algeria, Morocco, and Tunisia belong in the First African Department, which is headed by Alexei Shvedov, the former ambassador to Morocco.

The Third Group: Outside Experts

The political power structure has been slowly but surely opening up as it has become more common to consult with institutions outside the ministry and especially with academics in different fields. In Scandinavian matters, this is maybe of no great significance, but for instance the Near East is such an unstable area that it is necessary to draw on all available expertise. The expert who is most often consulted in matters pertaining to this area appears to be Jvgeni Primakov, who has

been the director of the Moscow Institute of Eastern Countries since March 1978. Before that, he was a Cairo correspondent to Pravda, and he has written several works on the Near East.

Routine Political matters and executive responsibilities are the province of officials in the International Department of the Foreign Ministry, but the more serious questions are dealt with through the Politburo and Brezhnev himself. Prior to that, especially if it is a question of the Near East, two other organizations influence the final form of the recommendations. One is the State Security Committee, the KGB, because reconnaissance reports are of vital importance in making decisions about this tinderbox area.

The other institution is the Defense Ministry, not least for the reason that it sends weapons, military advisors and training personnel to several countries in the area. In addition to that, the ministry bears responsibility for defense and military readiness on the southern borders of the Soviet Union next to the Near East neighbors. This ministry also evaluates the strategic communication networks for conflict situations in the area. The Defense Ministry is also consulted in matters pertaining to Finland as Finland has great strategic importance and is bordered by an area where NATO has strong influence and presence.

Finland's Special Position

After this, the matters are forwarded to the Politburo, either on the initiative of the department in question or directly from Brezhnev's secretariat. One of Brezhnev's older assistants is Samoteikin, a referendary who is responsible for the Third World countries. It is his responsibility to refer all important matters dealing with this area to Brezhnev for his decision. He normally operates through the office of Andrei Alexandrov-Agentov who is Brezhnev's closest personal advisor, but it is also possible for him to contact Brezhnev directly.

Finland has indeed a special position in USSR foreign policy, and it is suspected to be a part of Alexandrov-Agentov's field of personal responsibility, as are relations with the United States, West Germany and a few other countries.

In actual fact, a fairly high number of Politburo members participate in the decisions on the Near East. Besides Brezhnev, these include Prime Minister Nikolai Tihonov, Gromyko, Defense Minister Dimitri Ustinov, and the KGB chief, Yuri Andropov. Mikhail Suslov is one of the main ideologists and therefore an important and influential figure in foreign policy as a whole. Ponomarev is present as the chief of the International Department but he has no voting rights since he is not a full member.

In Finnish affairs, the division of roles is somewhat different. While Kosygin was alive, he was of course closely involved with everything having to do with Finland. In addition to these above, Georgi Romanov is now included among Politburo members responsible for Finnish affairs. He is the first secretary of Leningrad.

In Middle East affairs, there is a group of Politburo members who are more and more closely involved and frequently consulted. They include the representatives of the Islamic republics of the Soviet Union: Din Mohammad Kunajev, the first secretary of Kazakhstan who is regarded as a close comrade of Brezhnev as well as

candidate members Gaidar Alijev and Sharaf Rashidov, the former first secretary of Azerbaidzhan and the latter the first secretary of Uzbekistan. Both Azerbaidzhan and Uzbekistan have ancient cultural ties with the Middle East, further strengthened by the Islamic faith, although this aspect is underplayed in Soviet relations with the area. Occasionally, it is necessary to consult with Marshall Nikolai Ogarkov in matters having to do with Middle East questions. He is the chief of the USSR military forces general staff.

Reception of Visitors

A considerable part of foreign policy activity of course consists in maintaining personal relationships with officials and leaders of different countries. There is in Moscow a well-established tradition regarding these relations, and the protocol is strictly adhered to in most cases. Finland is an exception. President Urho Kekkonen is a more common--both official and unofficial--foreign visitor than many others. He has close personal relationships with some Soviet leaders, although he probably misses Kosygin who was a particularly close friend. But the main rule is that the visitors meet Soviet leaders whose position and status corresponds to their own, unless some special task gives reason to meet a higher-level leader.

This rule also applies to visits of chiefs of state and government in the Soviet Union. Brezhnev ordinarily meets with the presidents, Tihonov with the prime ministers. But there are exceptions. Brezhnev himself carries out the negotiations with for instance the West German chancellor and the Indian prime minister. The same would apply to all prime ministers who are the real policy makers of their governments, for instance England's prime minister. Occasionally Brezhnev also receives visiting foreign ministers if they bring important messages from their chiefs. And he generally meets with the foreign ministers of the great powers after their negotiations with Gromyko.

Urho Kekkonen's Great Achievement

Also other high-level negotiators are treated according to the protocol. If the entourage of a visiting statesman includes for example the country's defense or foreign trade minister, his Soviet colleagues will sit in at the negotiations with their guests. The relative power status of the negotiators and the description of the atmosphere of the negotiations are unfailing gauges of the importance of the discussions.

If the negotiations are said to have been conducted in a "friendly atmosphere," it means they have been successful. "Warm and friendly atmosphere" implies an even greater success. But if the negotiations are held in a "matter-of-fact" or "sincere" spirit--or both--, it indicates various degrees of differences of opinion or even major disagreements.

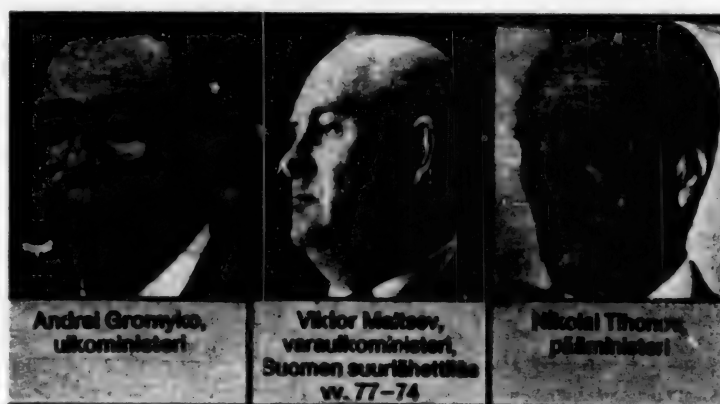
On the highest levels of negotiations and contacts, success of course depends very much on the personalities involved. The mutual relationship evolving between the leaders is very important, especially between Brezhnev and his co-negotiators. It is advantageous if the visiting statesman gives the impression of authority, openness and honesty. Urho Kekkonen is maybe one of the most impressive people in this respect, as his great achievement and merit in the eyes of the Soviet people is that he has been able to win the Soviet leaders' trust by straight-forwardness in both personal demeanor and in conducting Finnish foreign policy.

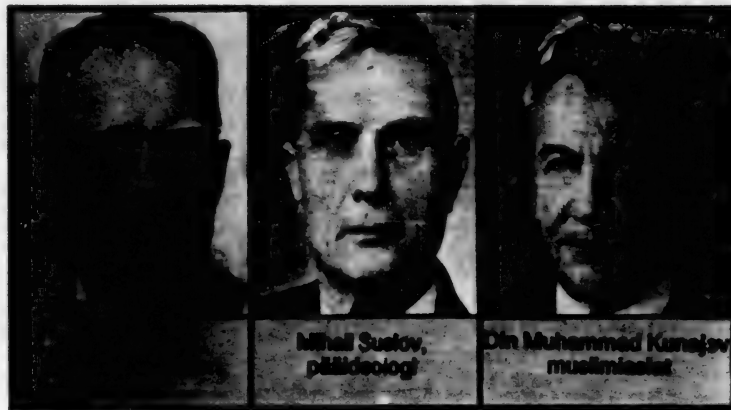
Regardless of personal qualities, the final criteria that the Soviet leaders apply in evaluating a foreign statesman are his politics and attitudes toward the Soviet state, and the strategic and political significance the country in question has in question Moscow's regard.

Significance of Atmosphere

It is an obvious mistake to think that USSR foreign policy is regulated by Brezhnev's sympathies and antipathies. But it is also important to remember that the dominant atmosphere in the relationship between the Soviet Union and any other country is in equally important factor.

If the relationship has previously been warm, the entire atmosphere and the Soviet dealings with the country are different even if the personal contacts are conducted according to protocol.





- 1) Konstantin Rusakov, Secretary of the Central Committee
- 2) Boris Ponomarev, Veteran of the Central Committee
- 3) Vadim Zagladin, First Alternate to Ponomarev
- 4) Andrei Gromyko, Foreign Minister
- 5) Viktor M ltsev, Deputy Foreign Minister, Ambassador to Finland 1974-77
- 6) Nikolai Tihonov, Prime Minister
- 7) Dmitri Ustinov, Defense Minister
- 8) Mihail Suslov, Main Ideologist
- 9) Din Muhammad Kunajev, Muslim Affairs

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CSO: 3107/3

KEKKONEN'S ILLNESS SETS OFF FRANTIC PARTY ACTIVITY

Helsinki SUOMEN KUVALEHTI in Finnish 25 Sep 81 p 46-49

[Article by Antti Blafield]

[Text] On Friday, September 11, it was only "a piece of news." At the turn of the new week, it became "presidential maneuvers," but when a third week came along, it already was a question of "power games."

"The piece of news" was that the President of the Republic had taken sick leave. A result was that once again, the dissolving government was welded back together.

"The piece of news" also changed completely the strategies of the Republic's gamesmen. Everyone now functioned only for the furtherance of the game, trying to garner more support behind his presidential candidate and hoping to win more power to his party and the men in the wings.

Interior Minister Eino Uusitalo, who had kept himself out of the budgetary disputes, now became the prime minister. He assumed his duties in accordance with all the requirements of tradition.

The government contrived a new dispute, this time over regional development policies. The Left and the Center quarrelled earnestly over whether sluggish industrial towns should be handled as part of the development regions or not. The dispute, in other words, was not over whether for instance Imatra should receive aid. Everyone agreed on that, only the mode of aid was under dispute.

This was precisely the same situation as with the budgetary dispute. It was easy enough to agree on the use of tens of billions, but a juicy quarrel was whipped up over a few hundred millions. The outcome could either be a fat war or a thin peace.

Uusitalo now took the role of an arbitrator. He reported day after day that agreement was very near. Useless press conferences followed one another, and the journalists, already exhausted from the previous week, were told the same non-news over and over again.

But the main goal was achieved: Eino Uusitalo, the acting prime minister, was kept in the public eye. The people were coaxed into believing that nothing had changed: the government kept on quarrelling, and a prime minister kept on sighing.

"Mild Critique"

State Finance Minister Ahti Pekkala exited the scene to have a rest.

The finance minister, muddled from the battlefields of the budgetary disputes, no longer interested the press, with the exception of the Center Party news agency Uutiskeskus. Uutiskeskus had an interview with Ahti Pekkala over the bygone battles, and it detected in the finance minister's words "some mild criticism of Mauno Koivisto."

Pekkala, in other words, was kept in the game.

Foreign Minister Paavo Vayrynen appeared to the citizens last week with nothing more to say than that he was going abroad, to attend the opening ceremonies of the UN General Assembly. There too, wildspread quarrelling prevails, so the foreign minister is unlikely to notice any difference in climate.

Another brief appearance by Vayrynen, rather on the stiff side, occurred during the first presidential audience held by his stand-in, Mauno Koivisto.

During this first audience held by Koivisto, the expressions on the faces of the ministers were confused and respectful. It was difficult to find one's bearings: was one now dealing with a former co-minister or not?

Basic Course in Eastern Trade

Ahti Karjalainen started his campaign about the time the "news" came out. No one has admitted that Karjalainen is conducting a presidential campaign; but it hardly appears believable that the interim general manager of the Bank of Finland needs to run around the county polishing up the bank's image.

Karjalainen spoke on Tuesday last week [15 Sep] to the Tampere Paasikivi Society. The invitations announced that the topic of Dr. Karjalainen's speech would be disclosed later.

This cryptic message filled to the brim the cabinet in the Grand Hotel Tammer. The entire northern Hame elite was present.

True to his wont, Karjalainen offered no surprises. He gave a presentation, characterized as a basic course in Eastern trade, the main content of which was that Dr. Karjalainen possesses immeasurable experience and insights in Eastern relations.

On the right of the animated Karjalainen, in front of the audience, sat the "vice president," Kalle Kaihari, who at least according to his own testimony has a good record in collecting needed votes for future presidents.

Vilho Halme, the vice chairman of the highest decision-making organ of the Social Democratic Party, the party council, and the Tampere Paasikivi Society's chairman was left with nothing else to do but thank Karjalainen for a meritorious and memorable presentation.

The surrogate president, Prime Minister Mauno Koivisto withdrew into a presidential remoteness. The prime minister, formerly in the epicentre of disputes, now became a venerable Mr Distant surrounded by security men. His only appearances in public were connected with the presidential official duties.

However, one can always flash out miniature signals. As he descended from the presidential audience on Friday, Koivisto waved his hand to the empty Aleksanterinkatu street before squeezing himself in the state Saab.

During the week, we also had a chance to observe the other side of Koivisto as he went to Tamminiemi to pay a visit to UKK. On the Tamminiemi steps, we witnessed more prime-ministerial humbleness and less vice-presidential authority.

The SDP [Social Democratic Party] Lost Nerve

As the republic's leaders, also called--rather questionably--gamesmen, were getting used to the new era, the press did not skimp on words. The Center Party's main organ SUOMENMAA came out with a special tour-de-force by casting the first foreign policy stones. TIEDONANTAJA of the minority faction of the communists followed by coming straight out with talk of a new Honka coalition being formed in support of Koivisto.

Towards the end of the week, it appeared as if this one piece of news had thrown the country back to the violent disputes of the mid-1950's. It seemed as if UKK's 25-year long lifework had evaporated in the wind. Only moments earlier it had been emphasized that Finland's foreign policy is beyond all speculations. Now the newspapers were giving space to the wildest of speculations.

The foreign embassies' teletypists had a laborious week

As far as the Social Democrats were concerned, the situation was beginning to be painfully reminiscent of the presidential elections of 1956 and 1962 when K.A. Fagerholm and Olavi Honka were stigmatized as foreign policy misfits. These elections put the Social Democrats into a long period of isolation, and their return to the port of proper politics was painful.

By Saturday, already the chief editor of SUOMEN SOSIAALIDEMOKRAATTI, Aimo Kairamo, advised his party comrades to put ice inside their hats to keep their heads cool. The chief editor, known for his abrasiveness, sheathed his hard edge and pleaded that the gamesmen put the interests of the country first and bring about peace. The interests of the Social Democrats would at least be served.

The furtherance of the game and steady flow of news is in the interest of the papers. The country's interest should be that a statesman's accomplishments during a quarter of a century do not go for nothing.

9571

CSO: 3107/3

SOVIET FACTOR IN PRESIDENTIAL MANEUVERS EXAMINED

Helsinki SUOMEN KUVALEHTI in Finnish 25 Sep 81 p 56-57

[Article by Mikko Pohtola: "The Screen of Unity"]

[Text] Is it possible that maybe the greatest achievement of Urho Kekkonen's life-work, national unity, has been only a screen? This skeptical thought insinuates itself into mind as one observes the fierce battle his own party has launched in the past weeks, drawing also others in. The president's illness, even his recuperation leave, are natural parts of any individual's life; and the president of the republic is both a person and an institution.

It has become clearer and clearer that the dispute that was whipped up in the government over the budget was designed to cover up other activity, set quietly in motion somewhat earlier and intended to resplit both the people and the republic: into the Right and the Left, into friends and enemies, into the trusted and the untrustworthy in foreign policy. Mauno Koivisto and Ahti Karjalainen were made into symbols and used as pawns, and later all Finns were to become pawns.

But will the citizens and the other parties, precast as the new pawns, still resign themselves to be actors in this kind of a play? It was already performed once, is now all over; and a long period of recuperation was needed. Aarne Saarinen in fact brought new interesting color into the discussion as he, wised-up by the developments of the spring, now expressed the views of the SKP [Finnish Communist Party] and SKDL [Finnish People's Democratic League] as well as his own negative view of the role written for the SKP.

After what has happened, it is beginning to appear quite funny that the SKP minority faction and TIEDONANTAJA are conducting a campaign in favor of a bourgeois candidate; this in fact has attracted attention not only at home but also abroad. TIEDONANTAJA has really something to worry about when, according to its editorial, Koivisto already has won over all the rightwing forces to his support. The newspaper writes: "It is just too bad that all the rightwing forces from all parties are involved in this. It appears that not even the Communist Party is being left outside, because there always are some who look at everything from the point of view of expediency and forget the main issue."

TIEDONANTAJA too seems to have forgotten that until now, in other circumstances it has counted both the Center Party and the Conservative Party as rightwing parties --and that both of these parties have quite clearly announced that they do not

support a socialist presidential candidate, which in this connection refers to Koivisto.

The Open Road

Last week the main organ of the Center Party, SUOMENMAA, saw fit to break down all the barriers. An article, signed by P.M., started like this: "As Urho Kekkonen was elected in 1956 as the president of the Republic of Finland for the first time, he was already very well known in Moscow as a creator of the relationship between the Soviet Union and Finland. He also was known as a man who would direct Finland's foreign policy in such a way that the YYA agreement would be adhered to in all decisions."

The text has been scrutinized and quoted in nearly all Finnish papers, for instance SUOMEN SOSIALIDEMODRAATTI published it in its entirety. The writer may rightly be flattered by all the attention, even though the text is suspected to have been formulated "on a higher level."

Raising up the communists to the top of the temple road already is an attempt now at putting pressure on them, even though the Center Party does not even have a candidate yet; and support is being sought from outside forces. The article makes out that Koivisto is unreliable from the foreign policy point of view, but this claim is not substantiated in any way. A rusted old battle axe has been dug out: "The SKP majority faction faces a serious choice. It is difficult for an outsider to understand why it finally would want to be in the Koivisto camp. Isn't the securing of our foreign policy line an especially important matter even for the communists?"

Moscow's Stand

Both ideologically and physically, time has passed by the minority communists. Their communication channels are also deteriorating, and they are not even capable of noticing new trends in their own circles. The coming closer of international communism and European social democracy was not only a passing breeze of mutual admiration brought about by Willy Brandt, but it is a political reality with steady political influence.

In the past, the Kremlin made it quite clear which Social Democratic or other politicians did not enjoy the trust of the FCP. But that was a long time ago. For example, the statement by Leonid Brezhnev to the Finnish Social Democrats about the possible negotiations on the Nordic nuclear-free zone was not influenced only by the captivating smile of the DEMARI [SOSIALIDEMODRAATTI] chief editor. It was a hand extended to the Finnish government headed by the Social Democrats, to the SDP as well as the Social Democrats in the other Nordic countries.

Political experts say that it is more than likely that the Soviets will not allow themselves to be provoked into becoming supporters of either the minority communists or the Centre Party. It is also said that both Mauno Koivisto and Ahti Karjalainen are well known in the Soviet Union, literally from every angle.

Only Two?

One of the peculiarities of the rapidly advancing situation is that, surprisingly, we have two presidential candidates who have been nominated by no party and no organ and who as a matter of fact both deny their candidacies. But as it appears, so it is.

No one has disputed Karjalainen's extensive experience and merits. In relations with the East block, his position as the Finnish chairman of the Economy Commission has given him power that will bring him more supporters as long as our Soviet trade is expanding.

In this suddenly emerged situation--according to Karjalainen, no surprise--the Center Party leadership and press have tried to give the impression both to their constituency and outsiders that Karjalainen already is the nominee to be passed on to the decision-making body of the party, the party convention.

If for some reason it should be necessary to call up an extraordinary party convention, its representatives would be the same as last year in Turku where Johannes Virolainen did not lose by much in an entirely different kind of election.

It appears that the Social Democrats will have the easiest time in nominating a presidential candidate. They don't even need to call a party convention to do it. and as a matter of fact the presidential candidate himself is at the moment in charge of the president's duties.

The Conservative Party faces a much more problematic situation. The party has pledged support to a bourgeois candidate in the final election, and it should be news to no one that this candidate is in fact Karjalainen. However, as the SDP, also the Conservative Party will need a gofer, a candidate who will collect the party-loyalists' votes.

It is not as easy now as it was during the Matti Virkkunen time for the Conservatives to find a candidate from outside the party hierarchy proper. Jaakko Lassila, still an unknown to the public, has been mentioned as a possibility, and although he practically holds two newspapers in his hands, the problems created by one of them will not set the man free very easily.

If the Conservative Party ends up with Harri Holkeri as the gofer of the first round of elections and the SKDL with Ele Alenius, the efficiency of the board of the Bank of Finland would be quite impaired for a time. The comedy of it would be that only one of the central candidates would be from outside the board of the Bank of Finland, namely Jan-Magnus Jansson, the possible candidate of the Swedish People's Party.

On the Look-Out

Prime Minister Mauno Koivisto has chosen as low a profile as possible for the duration of his short period as the surrogate president, for his every movement is now scrutinized with a magnifying glass. With the exception of the party press, his party has kept silent in order to secure him with an opportunity to work in peace

and quiet--and to allow Kekkonen to recuperate in peace. Though it has become clear that Kekkonen will not be Finland's next president, he still is the current one.

The decision on the course of action after Urho Kekkonen's recuperation leave is up to him and his doctors alone, and there is no reason to doubt that our experienced elderly president is capable of making the decisions regarding himself with the same sense of responsibility he has shown when making decisions that have concerned the entire nation and its future during the past quarter of a century.

9571

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NEW CALEDONIA TENSE AFTER INDEPENDENCE LEADER KILLED

Change of Status Demanded

Paris LE MATIN in French 24 Sep 81 p 5

[Article by Philippe Leymarie]

[Text] The funeral of Pierre Declercq, the Calédonian Union general secretary who was assassinated last week, was scheduled for Wednesday night in the village of Conception. All New Caledonian independence movements announced that they would set up roadblocks throughout the island in solidarity with a ceremony coinciding with the anniversary of the country's colonization by France.

On the eve of Pierre Declercq's burial, a funeral procession of 1,500 persons followed for 10 km the independence leader's coffin, which was moved from Noumea to Conception. At the same time, the examining magistrate proceeded to indict a young garage mechanic of European ancestry, Dominique Caron, for premeditated murder. The investigation is continuing to determine whether it was an independent act or a coordinated plan of European "extremists."

With this assassination, the government is facing its first overseas crisis since its establishment in May. But its room to maneuver is limited. On one hand, the right-wing majority of the Territorial Assembly is demanding additional "guarantees" from Paris concerning the safety of the population of European ancestry and keeping New Caledonia in the French Republic: in the absence of such guarantees, the trend in favor of "Rhodesian-style" independence could grow within the country.

On the other hand, Melanesian independence advocates--supported by a faction of Europeans, whose leader was Pierre Declercq--are trying to induce the government to consider a radical change in the territory's status. This is the significance of the "national" funeral held yesterday for Pierre Declercq, according to Kanakan custom and in a climate of general remobilization of the Melanesian community.

Terrorism, Independence Questions Raised

Paris LE MATIN in French 28 Sep 81 pp 16-17

[Article by Maurice Szafran]

[Text] Ten days after the assassination of Pierre Declercq, the general secretary of the Caledonian Union--the island's main independence organization--tensions have still not lessened in New Caledonia. Authorities actually fear serious new incidents in coming days between the most hard-line members of the European and Melanesian communities. Several fights broke out yesterday in Canala, one of the electoral districts of the independence movement. Security police were dispatched to the site; today will be particularly tense. But the police investigation being conducted by Commissioner Genthial, who came here specially from Paris, seems to be making progress. Dominique Caron, a 20-year-old mechanic who was arrested on the day after Pierre Declercq's murder, has been indicted. Although he maintains that he is innocent, a bundle of ever mounting evidence is against the young man. But investigators are still puzzled: was this the independent act of a fanatic or did a terrorist organization plan and carry out this political assassination?

Noumea residents have been deprived of alcohol for 4 days. This decision, made by Claude Charbonniaud, the territory's high commissioner, is an event here because alcohol, just like the wilderness, the sea and arms, is one of the key features of Caledonian life. And this ban is a perfect example of the constantly mounting uneasiness among the island's officials. One week after the assassination of Pierre Declercq, the general secretary of the Caledonian Union, a strange atmosphere dominates Noumea and the rest of New Caledonia's 400 km. Each side is watching the other, as though they were actively organizing, and the least incident, if only a quarrel caused by "drunkards," could set off riots and brawls, gunfire and bloodshed.

But the police investigation seems to be making rapid progress, which should reassure some of the population. When Interior Minister Gaston Defferre made the decision, on the day after Pierre Declercq's murder, to send for Commissioner Genthial, Sixth Division chief at the Criminal Investigation Department's central headquarters and in charge of matters involving political terrorism, reactions were at least softened in Noumea: "They really think we're dumbbells in Paris," a downtown merchant grumbled, "Our police are thus incompetent. It is as though I were sending for a surgeon from the mainland to take out my appendix"

However, the vast majority of the Melanesian population, as a result of disappointments, does not have confidence in the local police, nor do independence leaders and several magistrates. "They have suppressed too many stories; they were too involved with the former government," a local figure acknowledged, who did not hesitate to openly display his "antisocialism." Christian Burck, one of the Caledonian Union's leaders, stated: "I would have never agreed to meet with a policeman from here. I saw Genthial on neutral ground and I have to admit that under Giscard they would never have found the murderer and that we would all have been cut down like flies, one after the other." Commissioner Genthial became so conscious of this local

antipolice psychosis that he worked in close cooperation with the examining magistrate, Francois Creze, and with policemen who still had good reputations in the country. That's all. The DST [Department of Territorial Security] has apparently been kept out of the matter and Noumea police have been assigned to less important tasks.

The results have been dramatic so far. A young 20-year-old man, Dominique Caron, has been indicted. Although he repeats over and over that he is innocent, there are very serious charges against him. Several witnesses have told the police that he openly and repeatedly expressed his intention to "shoot down Declercq." The weapon found at Caron's residence--a 12-caliber riot gun rifle--is identical to the one used against the independence leader; the shells, of a very special type, are also similar to the ones removed from Pierre Declercq's body. They were purchased from the island's only arms dealer. An important detail: the dealer imports only 800 of them a year. Caron was one of his few and principal customers. Furthermore, Caron cannot prove his whereabouts between 2000 and 2215 hours on the Saturday that the crime was committed. Pierre Declercq was killed around 2030 hours. One magistrate told us: "Caron says that he drove around Noumea for 2 hours without meeting anyone. That is not very likely. And above all, reports have been made against the accused. We have learned from a reliable source that 1 week before the crime, he tried to make an agreement with a man known on the island for his anti-independence views. The conditions of the agreement: to shoot down Declercq. Frightened by Caron's proposal, the man reportedly went to the police and was not taken seriously."

But Caron's trail is not totally convincing. Probably because of its extreme simplicity. A resident of New Caledonia for about 15 years, the young man has worked at the Suzuki plant for a long time. This company is part of the Lafleur group, one of the largest on the island, denounced by independence advocates and leftists as being "mainly responsible" for white colonialism against the indigenous population. Dominique Caron put up posters for RPR deputy Jacques Lafleur, the Lafleur group's boss. He bragged about it. These occupational and political ties between Pierre Declercq's alleged assassin and the main enemy of a party of the Caledonian people add to the ambiguity. "They want to smear Lafleur," his many friends in Noumea contend. "Lafleur is not directly involved in this affair, of course," the independence advocates reply, "but Pierre Declercq died as a result of the climate of intolerance which Lafleur imposed on the island."

Thus the wildest and most unverifiable rumors are of course circulating in Noumea, from street to street, from cafe to hotel. Some "Caldoches" (European residents of New Caledonia) are reportedly organizing a mock CAS [Secret Army Organization]. They are armed. That is known. They have money. That is known. The assumption is thus foreseeable. These rumors have obviously reached the ears of Commissioner Genthial. The examining magistrate has even opened an "investigation against X ... for criminal conspiracy and violation of arms regulations." The investigators clearly want to determine whether or not such a possibility of terrorism is emerging under the skies of New Caledonia.

"I don't believe it," an independence advocate of Caldoche origin stated. "Small groups have been formed, possibly ready to act, in every backwoods village. But in my opinion, there is no unified command."

Also according to the same unofficial sources, for example, Dominique Caron belonged to the so-called "motorcycle" group. The members of this group trailed independence leaders, noting their schedules, habits and idiosyncrasies in detail. Were these reports merely intended for their own use or did they reach the desk of a mysterious leader? The examining magistrate, Creze, has promised to provide clarification and information in coming days. Two items are significant in this connection: the investigators have reportedly obtained a "list" of the men to be killed. And this list obviously included the leaders of the independence movement. Declercq was first on the list. He is now dead.

Moreover, and without any apparent direct connection, several extremely wealthy colonialists held a meeting 1 month after Francois Mitterrand's election, during which they considered the possible forms of "resistance" to the socialist government. They talked about establishing a free radio station and a new newspaper. Did they limit themselves to these political projects? The investigation will also try to clarify this.

Everyone here is aware that action must be taken, and quickly. Because the supporters of a strategy of tension are most active on both sides. If some Caldoche groups have refused to consider a new social, economic and political redistribution, the supporters of Kanakan independence are not disposed to show any more moderation either. A recent communique from the Caledonian Union also put a damper on the visit of the French delegation which had come to attend the funeral of Pierre Declercq: "Two legal entities are confronting each other, the Kanakan people and the French Government, which has not taken a position on the demand for independence. Because of this situation, the French Government is responsible for the assassination."

Laurent Cathala, the mayor of Creteil, a deputy and the Socialist Party's DOM-TOM [overseas departments-overseas territories] official, did not conceal from the Melanesians with whom he spoke that he considered that analysis totally unacceptable: in private, he even confided that sooner or later his party should express itself clearly on this demand for independence. In his opinion, this idea actually excludes the white community of New Caledonia and that is obviously unacceptable. "The French Government must speak out strongly and clearly," Stanley Camerlinq, a government adviser of Giscardian allegiance, stated. "We want to know whether or not we are considered French. If so, we must not be abandoned"

"What will Mitterrand do?" is the question constantly being asked by New Caledonia's lower-class whites, those who have been there for generations, who do not have a lot of money, who are simply attached to this island, who would not know where to go in the event that Among the opposition, the socialists had made the Caledonian Union their preferred dialogue partner. Now that they are in power, things have changed. Henri Emmanuelli, secretary of state for DOM-TOM, has visited New Caledonia. He quickly grasped the complexity and specific nature of the island. Restore a lost unity and power to the Melanesians? Obviously. Propose structures to create a multi-racial society? A dream ... but how? Always more questions, unanswered for the time being.

In Canala, one of the electoral districts of the Kanakan independence movement, road-blocks have increased for several days. They have led to incidents, even as recently as last night. The Caldoche "backwoodsmen" have withdrawn to their estates. They

no longer dare to go out. The Kanakan leaders of Canala held a meeting 24 hours ago. They reportedly made an important decision, perhaps with tragic consequences: to expel those whom they have dubbed "undesirable," certain white colonialists noted for their anti-independence commitment. The Kanakan leaders were supposed to take action this morning. The Caldoches will obviously not be driven out without reacting. There can be no mistake: on this occasion, the Kanakans are challenging the France of Francois Mitterrand first and foremost; in a way, they are forcing it into a corner. Will socialist France be forced to dispatch the CRS [State Security Police] into the New Caledonian wilderness? This is the paradox today. If the government does not react, the Caldoches will lose confidence in "their country," France; if the government represses the excesses of the independence advocates, they will scream that they have been betrayed. In New Caledonia, a double trap is on the verge of slamming shut.

11915

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NEW CALEDONIAN INDEPENDENCE ACTIONS; LAND SEIZURE

Paris LE MONDE in French 29, 30 Sep 81

[Article by Alain Rollat]

[29 Sep 81 pp 1, 10]

[Text] Following the assassination of Pierre Declercq, general secretary of the Caledonian Union (independence movement), on 19 September near Noumea, tensions are still acute on the east coast of New Caledonia in the Canala area, where police reinforcements were dispatched on Sunday evening, 27 September. Following numerous incidents which took place in that area during the past week, the police made six arrests. Three organizers of the Caledonian Union were taken to Noumea on Sunday evening. To put pressure on the government, whose acknowledgment of the Kanakan people's right to independence they are demanding, the area's independence leaders asked the local population on Sunday morning to occupy the estates of certain farmers of European ancestry, whose ownership they are challenging. Beginning today, our special correspondent is providing an analysis of the situation in that overseas territory.

I. The Canala Rebels

Canala--A dusty hell, the road winds for 50 km through the mountainous backwoods of the island's interior. Near the east coast, it runs into a small luxuriant valley with as many flowers as a garden. The tricolor flag, signaling the existence of a police station, flies on a bluff overhanging a group of scattered houses whose ochre roofs of rusty sheet metal pick up the setting sun's golden reflection.

There is little activity in the streets. The village is quiet. Yet it is here in Canala that the heart of the Kanakan revolt beats. Since the assassination of the Caledonian Union's (UC) general secretary, Pierre Declercq, tension is more acute here than anywhere else. There were about 40 rifles at the first roadblocks erected on 20 September. Australian tourists were threatened. Livestock belonging to European backwoodsmen have been killed and their houses have been hit with volleys of buckshot.

It is a miracle that no one has been injured so far. The approximately 150 Europeans in the region have lived in fear for a week.

This tension is not accidental; on the contrary, it is the result of a deliberate destabilization attempt. If Canala is today the most activist constituency of the independence movement, it is not by chance.

The level of politicization of the Melanesian community, numbering more than 2,000 persons divided into 17 tribes, is particularly high for the simple reason that most local workers have received extensive training in political militancy as a result of their participation in trade union life. Almost all of them earn their living in Kouaoua, one of the SLN (Societe Le Nickel) mining centers, located about 30 km to the north.

Nightfall. A mass has just been said at the church in Pierre Declercq's memory in the presence of local UC leaders. At their urging, the population assembles in front of the mayor's office. There are more than 300 persons, highly disciplined and in an almost perfectly square formation. Several benches have been provided so that the oldest people can sit comfortably. One of the benches gives way under the weight of a group of young men, almost all unemployed since completing their military service 2 years ago. The crowd bursts out laughing for a moment.

Mr Eloi Machoro starts to speak. A member of the Territorial Assembly, in which he represents this region, assistant general secretary of the UC and a teacher by profession, he has the reputation of being one of the "hard-liners" of his party's leadership. Tall, gaunt, with a thin reddish moustache, his voice is confident. He explains that the people of Canala must continue to play a leading role in "the Kanakan people's fight for independence. And now. Other Kanakans are watching first to see what we will do. Thus we must stay mobilized."

He summarizes the position taken by the Independence Front, in which the UC, the main faction, is combined with other separatist parties (Kanakan Liberation Party, United Front for Kanakan Liberation, Melanesian Progressive Union, Caledonian Socialist Party, Socialist Kanakan Liberation): "We have asked the French Government to recognize the Kanakan people's right to independence. Only such recognition can restore calm. If we obtain this recognition, we will not say that we will have independence next year. We will be free to choose the time, since that will mean that the socialist government will help us to prepare for such independence. We will wait 2 weeks for Mr Mitterrand's reply and in the meantime we will refrain from taking severe action. But we will not suspend all forms of action. The safety of the people here does not depend on us, but on the French Government's response."

The territorial representative gave orders: "The responsibility for our actions is not individual but collective. If someone is bothered by the police, he must refuse to go to the police station without advising his chief. The police must no longer enter the territory of tribes without the authorization of their chiefs." He also gave advice to those who frequent bars: "You must stop getting drunk in town, because the police will take advantage of the fact that you are on a public street to arrest and beat you."

A delegation of 17 tribes was established on the spot. Tomorrow it will inform the police that from now on the territorial area of the tribes will be considered "inviolable": Kanakans are subject to "customary" authority before being subject to French law. The various spokesmen express this view.

Cleanout

The new militant assembly met the next morning on Sunday, 27 September, in the mayor's office, this time in the presence of independence representatives from Thio, La Foa and Bouloupari, three other communities in the center of the island. Mr Machoro then announced that the Canala militants had decided during the night to immediately take action again to put pressure on the government.

The various delegations were urged to take part in occupying the estate of a neighboring backwoodsman, Mr David, 8 of whose cows and 2 of whose horses had already been killed. The territorial representative said clearly that it was a question of intensifying the independence movement's influence in the Canala area and driving out Europeans considered undesirable.

"The reconquest of New Caledonia will begin with our region. When our area has been cleaned out, we will move on to Thio, La Foa and Bouloupari. Each tribe will draw up a list of the people who will have to leave. We will have a test of strength. Everyone must be aware that we are determined to shoot if necessary."

Traumatized, having become de facto hostages of the surrounding Melanesian majority but too small a minority locally to put up the least resistance, the European backwoodsmen of Canala take refuge every night in the police station, where they spend the night. They all have only one desire: to know where they stand. The village grocer, a town councilman and second-generation "Caldoche,"* said: "We are sick of this! Let's put an end to it! Let the government take a stand and finally say what it wants."

The murder of Pierre Declercq, the first political assassination in the history of New Caledonia, has only accelerated the implementation of the strategy devised by the Independence Front following Mr Francois Mitterrand's election as president of the republic--a plan whose first stage consisted of establishing a "parallel" administrative structure: division of the territory into eight independent regions, each with a regional executive council assisted by a customary council, itself subject to a "national" council.

A minority throughout the territory, where it received only 34.42 percent of the votes as opposed to 58.06 percent for "national" parties (i.e., those against independence) in the territorial elections of July 1979, the Independence Front decided to take tougher political action beginning on the east coast, where it is in the majority. It was in that area, which corresponds to the first electoral district, whose representative is UC Chairman Roch Pidjot (a PS member), that Mr Francois Mitterrand defeated Mr Valery Giscard d'Estaing in the first round of the presidential

*Colloquial expression for New Caledonians of European stock.

election (5,108 votes against 2,591), whereas he was decisively beaten on the west coast and in Noumea (the electoral district of RPR deputy Jacques Lafleur), where the European population is concentrated (6,110 votes as opposed to 20,880).

The split between the two sides seems irreparable. Urged by his Melanesian electors to come out in favor of territorial independence, Mr Mitterrand is urged to say exactly the opposite by the local political majority. Summarizing the feelings of most Europeans, the weekly CORAIL, closely associated with the RPR, wrote in its latest issue: "The hour of truth has thus arrived. It will remove all ambiguities willingly maintained until now about the only issue ultimately involving the majority of Caledonians apart from mainland political conflicts which have affected the territory: the French Government's affirmation of its determination to keep New Caledonia French. The restoration of essential confidence lies there and nowhere else."

A Desperate Situation

Caught short by this crisis which it did not expect so soon, for the time being the government, through its spokesman, Mr Henri Emmanuelli, secretary of state for overseas territories and departments [DOM-TOM], is confined to an uncomfortable position: on one hand, he maintains that there can be no political solution outside the "democratic framework," which remands the independence advocates to the law of majority vote; on the other, he has announced a voluntarist policy of economic and social reform, unwelcome by the Europeans, who hold the economic power, and considered inadequate by the main independence groups.

"The socialist government is very nice, but the economic and social measures which it is proposing will not make us forget our demand for independence," Mr Machoro emphasized.

The leaders of the Caledonian Union prefer to refer to the position of the PS on other political issues: "Mr Mitterrand cannot approve of the Palestinian people's demand for a homeland and ignore the Kanakan people's demands."

They also make two other specific references, recalling a joint declaration of the PS and Independence Front, signed on 9 November 1979, between a delegation led by Mr Pidjot, and accompanied by Pierre Declercq in particular, and a delegation of the PS Executive Committee, led by Mr Pierre Beregovoy.

This text states in particular: "The Socialist Party and the Independence Front condemn the colonialist policy which the majority is following in New Caledonia, which means in particular the opposition to political emancipation The Independence Front has expressed the Kanakan people's just demand for independence and its determination to assure basic human rights after independence. The Socialist Party has expressed its full solidarity with the Independence Front in its fight against the policy of the right and has reaffirmed its determination to support and guarantee the Kanakan people's right to freely decide their future."

They also mention, in a document distributed during the presidential election campaign by the socialist candidate's supporting committee, a speech delivered by Mr Mitterrand to the National Assembly on 23 November 1979 in connection with a question put to the minister of the interior: "During this final quarter-century, we have experienced

enough problems of decolonization to be familiar with the despair and anger of people who no longer know to whom to turn, or if they do, find neither consideration, good will, vigilance or understanding on the part of their dialogue partner, the French Government. Thus we reach a desperate situation which, I can guarantee you, will precede a situation of confrontation. You may tell me that the Kanakan population is today ethnically a minority in New Caledonia. That is possible, but such an argument is inadequate after learning how immigration imported from both the mother country and neighboring countries has been facilitated. But we must bear in mind the fact that all Pacific countries, including Australia, polled by the Independence Front have endorsed the demand for independence. Thus we will be faced with a situation which I warn you will necessarily be extremely tense and perhaps dangerous if it should develop. To what extent must we concede to the demands of the Independence Front? You will judge for yourself. We, the Socialist Party, have already taken a position."

For the Canala rebels, not given to subtle differences and changes, the conclusion is simple: Mr Mitterrand must unambiguously confirm this previous position.

[30 Sep 81 p 9]

[Text] II. The Final Defense

Noumea--A modest backwoods house near Gelima on the east coast; the owner, a second-generation "Caldoche" who owns a general store, is not eager to talk: "Above all, don't mention my name!" He fears for his safety and that of his family. The most harmless of his remarks, erroneously reported or interpreted, could aggravate his troubles with independence advocates, who are a majority in the area. He showed us the impact of buckshot "adorning" the wall of his living room, above the television set. "When two shots were fired through the glass door the other night, they were not meant to kill, of course, but three pieces of lead pierced the wall barely 20 cm above the sofa where my wife and I were watching television."

If the police do not intervene to restore order, he is ready to leave the area. Moreover, he considers the situation "too bad for there to be any hope of everything returning to the way it was before." "Whether or not there is a vote, the Kanakans will gain their independence by force, if necessary," he said; "The process is now too far gone. They will fight to the death."

His neighbor, with a swarthy complexion, agrees in silence. He is a farmer. He was born on this land 52 years ago and until now has lived in harmony with the tribe on whose territory his 219-hectare ranch is located. He is not a gentleman farmer at all. With only 200 head of livestock, he is still a modest rancher in New Caledonia. He does not understand why independence advocates fired on his car and want to drive him out. "We are ready to sell everything; we will not be killed for a piece of land," his wife said, who willingly spoke in his place, "but provided that we are paid for it." Would she agree to live here in an independent Kanakan state? "With what assurances? As in Rhodesia? Have you seen the results? No, we are too tired to try again."

Farther away, another backwoodsman says that he is ready, if necessary, to try the adventure of independence "without violence," especially since he is quite accustomed

to the Melanesian environment, whose customs he shares: "Many Melanesians, even among independence advocates, would gladly compromise with the Europeans, for they know that this is the only solution, but now they are overridden by certain factions," he said. Several pigs were stolen from him recently: "Honestly, I don't see the harm that I have possibly caused around me. If that keeps up, this area will be the first in New Caledonia where there will no longer be a single European."

Reclusive and hard-working, these quiet pioneers are not like the "cowboys" of the large estates on the west coast, who say that they are ready to "smash the Kanakans" and whose belligerent character finds even more intense expression since the ratio of forces is locally more favorable to the Europeans. Yet they are the first victims of the demand for land reform, a recent demand which has become an essential feature of the independence movement.

The land issue is undeniably the most serious of the inequalities characterizing the territory's social organization: less than 2,500 European owners possess more than 340,000 hectares, where more than 24,000 Melanesians live on 163,000 hectares of reservation.

The basic goal of the Independence Front, total recovery of the land, derives above all from religious motives. Thus a high official wrote: "For the Melanesian, the land is much more than his life-style and the soil that feeds him. It is the land of his ancestors, an extension of himself, to which he is attached by extremely strong symbolic and mysterious ties of affection. It is a part of him. It is his most precious possession, that vital part of his social and psychological organization, of which colonization seriously deprived him in the last century. The Melanesians have not forgotten what they feel is a theft and an injury."

The clash of two civilizations, an impossible dialogue: on one hand, the fundamental value of personal effort and the worship of private property, on the other the primacy of tribal life and the worship of indivisible ancestral land.

Two legitimate entities are confronting each other at a political impasse: the original legitimacy of the Melanesians and the moral legitimacy of a European population born of the hell of prison, deportation from the commune, colonization often more wretched than victorious. Manichaeism does not fit New Caledonia.

Thus it may be asked whether the apparently irreconcilable nature of these positions does not eliminate all hope of a "just" decolonization succeeding in New Caledonia.

Fist on the Table

Visiting the territory for the first time, Mr Henri Emmanuelli was disgusted: "I saw things that were unacceptable, especially for a socialist The colonial situation exists there in a very real way The indigenous population has been oppressed to the advantage of the white government The autonomy status has favored economic and social conservatism It is high time to fully rectify the economic and social reality."

Among the "unacceptable things," the new secretary of state for DOM-TOM noted not only the financial situation but also the control by a handful of rich families,

including that of the leader of the "national" majority, Mr Jacques Lafleur, RPR deputy from the second electoral district, over all economic life and the existence of a tax system based almost exclusively on the collection of indirect taxes. In more picturesque language, this could be expressed as follows: "In New Caledonia, we are equal in sharing poverty, but never the pie," as noted by the weekly CORAIL, closely associated with the RPR.

This is not to mention local labor legislation, which is governed by a 1952 code, by virtue of which, for example, the right to strike is legally recognized only following a seven-stage procedure lasting a minimum of nearly 2 months.

It is obvious that any attempt to transform New Caledonian society implies comprehensive action, both political, economic, social and cultural. The government has expressed this ambition. Mr Valery Giscard d'Estaing had already noted this during his Pacific trip in July 1979: "France's image must not be tarnished anywhere as a result of a colonial period," he said, "that is why New Caledonia must be a land of brotherhood, justice and progress." The first step in this direction, the start of the land reform prepared by Mr Paul Dijoud, and aimed at returning certain land to Melanesians, is still in its infancy.

Is the socialist government in a position to succeed where Mr Giscard d'Estaing failed? The former chief of state set up majority political supporting structures within the Territorial Assembly, in which the two "national" factions (Rally for Caledonia in the Republic and Federation for a New Caledonian Society) have 22 seats as opposed to 14 occupied by independence supporters. Mr Emmanuelli does not have any real local political ties. He nevertheless pounded his fist on the table: if the Territorial Assembly does not adopt the necessary reforms before the end of 1982, the government will impose them.

The voluntarism of the secretary of state may well meet with enormous inertia, however. That is why the Socialist Party's priority political goal is to establish a supporting structure for itself in New Caledonia. Mr Laurent Cathala, the party's national delegate to DOM-TOM, who went to Noumea to attend the funeral of the Caledonian Union general secretary, has made various contacts intended to lead to the establishment, by the end of October, of a New Caledonian socialist party distinct from the PSC (Caledonian Socialist Party), which is part of the Independence Front.

Toward a "Lebanese" Situation?

The operation is centered around two men: 34-year-old Max Chivot, a member of an old "Caldoche" family, a former organizer of the Union of Caledonian Youth and one of the first people, in 1976, to broach the subject of multiracial independence, and Mr Guy Mennesson, general secretary of the Trade Union of New Caledonian Clerks and Workers (USOENC), the private sector's main trade union. "We will have a difficult task, but we can attract people who will acknowledge that there are now two dilemmas: that of the status quo and that of independence as conceived by the Independence Front," Mr Chivot said. "The Independence Front has demonstrated, particularly in Canala, that it can be effective and can dominate certain areas, but not the entire territory.

"Thus a 'Lebanese' situation is in preparation, with independence enclaves where the Independence Front has a large majority and zones controlled by anti-independence forces. For unlike other Pacific territories, Melanesian independence advocates, in view of the ratio of forces, will not be able to drive out whites from New Caledonia. We are moving toward a deadlocked situation, which may last a long time, since the socialist government will prevent unrest by sending in police if necessary, against both whites and Kanakans."

For the time being, the new party will devote itself to preparing and implementing the structural reforms planned by the government. But its ultimate goal will also be to prepare for the territory's independence, which seems inevitable to many non-Melanesian New Caledonians. Mr Chivot stated clearly: "Apart from structural reforms, we have an historic role to play: to make white Caledonians accept the idea of independence. This is also in the interest of Kanakans, for it white Caledonians do not agree to independence, the Kanakans will not have it, or they will have it after a bloodbath. Even the most moderate members of our little team admit that independence will come one day and that we must prepare for it. This 'third-way' strategy is intended to prepare for an independence that will preserve the rights of each community."

Mr Cathala has in turn tried hard to clarify the position of the mainland PS. "If the French Government believes today that there is no majority in favor of independence, that does not mean that one day there may not be a change in the status as a result of a majority which could develop in this territory," he explained. "Things are not static. No one can confiscate a people's future for 5, 10 or 20 years. Who can say today what the Caledonian people's future will be? No one can know the path that they will choose in a few years."

The PS national delegate to DOM-TOM asked the Caledonian Union, the main independence group, to specify its position concerning its concept of Kanakan independence, "which seems to exclude a significant part of the Caledonian population." "For us socialists," he said, "the movement to emancipate an entire people must be carried out on the basis of the social conditions of men and women living in this territory and not on the basis of religion or ethnic groups."

Thus the debate on the content of possible independence is open. The problem for the socialists will be to make the Independence Front accept this; the front is currently demanding unconditional independence, with only the timetable being negotiable. Even if the socialists do not say so openly, it is actually a question of holding out an incentive to the Independence Front. That amounts to proposing a strategy of a gradual departure from the colonial situation, a strategy that would make it possible, in the intermediate term, to assemble a majority in favor of multiracial independence, particularly within the Territorial Assembly, which is up for reelection in 1984.

If the new socialist party of New Caledonia manages to obtain the confidence of part of the population of European ancestry, it could become a valuable election ally for the Independence Front. For the time being, dialogue is still difficult. The LKS (Kanakan Socialist Liberation) Political Bureau, whose leader is Mr Nidoishe Naisseline, territorial representative and customary chief, said that it was "astounded" at the statements of Mr Cathala, in which it sees "a denial of the colonial situation."

But all of these prospective considerations will prove to be vain if the socialist government, in the meantime and despite its isolation, does not manage to break down the resistance of elected officials of the local majority so that these radical reforms can be adopted, without which any attempt to provide a final defense against current passions would be unrealistic.

11915

CSO: 3100/22

MARCHAIS ON INFLATION, UNEMPLOYMENT, FISCAL POLICIES

Paris L'HUMANITE in French 16 Sep 81 p 4

[Speech by Georges Marchais to National Assembly]

[Text] We are publishing below the full text of the address by Georges Marchais to the National Assembly:

"Mr Prime Minister, ladies and gentlemen:

I will not linger over the motion of censure put forward by the opposition. It is but the laughable reaction to another infinitely more significant motion of censure: that put forward by French men and women last May and June, putting an end to 23 years of unshared domination by the right, and manifesting the desire to see a new policy undertaken.

Just as we played our full role in this victory, we are contributing today with all our strength to the work of essential change. On all levels--in the government, in this assembly and everywhere in the country--the communists are working actively and loyally for renewal.

It is therefore to this end--contributing to the success of change, which dictates all our activities--that I want to set forth to you the basic observations which underlie our government activities.

You know that we view the assessment of the first months of this government's existence as favorable. Our assessment takes into account both the picture painted by the activities of the new majority in favor of universal suffrage; the legacy left by the disastrous policy of the preceding regime; and finally, the weight of external constraints, particularly those resulting from the economic and monetary policies of the United States.

The Main Priority--Reducing Unemployment

Within this context, we regard the first steps taken and the first decisions announced--in particular those which you, Mr Prime Minister, have just described from this rostrum--as positive.

The very depth of the crisis, the breadth of social and national needs, the adamant resistance of the employers to change--all of these things require vigorous action. French men and women dismissed Mr Giscard d'Estaing so that effective solutions could finally be provided to the serious problems of the country. And first of all, naturally, to the most painful, the most crucial problems--unemployment and inflation.

The accelerated rise in prices, particularly in this period as the school year begins, strikes harshly at lower income families, and is tending to offset the slight rise in consumption noted following the social measures approved by the government. At the same time, unemployment is continuing to increase. The arrival of 250,000 young people looking for jobs on the labor market and the reduction in industrial jobs which the owners continue to impose even pose a threat of additional deterioration of the situation.

This is why the alarm must be sounded. The situation is serious and worrisome. But we can state, proof in hand, that it is in no way fatal. We can improve it substantially, provided that we decide on the appropriate measures.

To this end, I set forth overall solutions, on behalf of my party, in the course of the campaign for the presidential elections--solutions which in our view retain their full value, with a view to promoting new growth for France and thereby gradually to relieve our country of the burden of unemployment.

This is the same goal we are pursuing today. We are doing so, naturally, within the framework of the choices made by the French people, and at the rate and in accordance with the methods resulting therefrom. But we are pursuing it with determination, with the firm will to produce concrete results which will really improve the situation. It is very clear: the employment battle, the battle to overcome unemployment is for us communists the priority of priorities, the number one goal of our activities.

And this is why we are very pleased, Mr Prime Minister, that as you have just noted, the government has decided to make this issue the axis of its policy. You spoke in this connection of a number of measures which we believe represent as many bearing points for advancing along this path. The owners, the banks and their right-wing spokesmen do not support them, rather raising fierce resistance to them, as we have seen today in this debate. This is, I would say, in the nature of things. It is yet another reason not only not to halt the action undertaken but to accelerate it. The employment battle will only gain ground through a resolute battle against capital and its waste. We will wage that battle.

Halting Enterprise Shutdowns

This is why, in order to contribute to a great national discussion which you have launched by your statement, that I want on behalf of the communist group to put forth some concrete proposals which will make it possible to strike a fatal blow against unemployment immediately, and then to force it back in enduring fashion.

Naturally, the first of these proposals has to do with halting the shutdowns of enterprises and dismissals. The owners today are continuing to throw workers into the streets when the law of profits so demands. The forms of temporary employment are multiplying. This is intolerable. We propose to establish the right of enterprise committees to suspensive recourse to the public authorities and regional agencies against the shutdowns, thus making it possible to move, in the widest possible concert, toward a search for positive employment solutions.

It is necessary also to advance along the path of a policy which will put an end to the continuing decline in the income of family operations, and which will provide effective aid for young farmers wishing to establish themselves and farmers in difficulty. This is necessary in order to put an end to any further unemployment in this sector, which is particularly seriously affected.

Job Creation Measures

The second complex of proposals concerns the creation of jobs. The first efforts of the government in this sector must be taken into account. This is the case in particular with the 100,000 new jobs in government which the plans call for between now and 1982. Obviously, the absorption of unemployment requires above all the creation of very large numbers of industrial jobs.

In order to take a significant step in this direction, the expanded public sector must provide a bearing point beginning now. New investments and the launching of projects for the development of public enterprises would provide thousands of additional jobs. In addition, the public sector should be able to provide vocational training to 100,000 young people, without delay, to assure their employment.

In order to finance these measures, it is necessary to turn to the banks. They have available colossal sums which should be placed in the service of the task of effecting the recovery of our economy. This is why we propose the floating of a compulsory loan with the banks and financial institutions, and a rate of between 8 and 10 percent.

Creating industrial jobs, secondly, means relying on local and regional life. We think that it is necessary, within the framework of decentralization of national life, to undertake a survey of employment and economic activity region by region and branch by branch, making it possible to update our understanding of regional and national needs. Such a step, with the workers and elected officials working together, would make possible the efficient extension in time of the launching of the new energy policy announced by the government, and promotion of the development of such sectors as metallurgy, chemistry, textiles and the automotive industry.

We are not unaware that some enterprises are experiencing investment difficulties. The recent government decision to reduce the cost of credit substantially represents an improvement for them, from this point of view. For our part, we suppose that the PME [small and medium-size businesses] be paid the 5 billion per year in aid for investments decided upon during the preceding 7-year term. But we do not want to be guilty of any naivete. We are too familiar with the earlier practice of flooding enterprises with public funds to finance their redeployment abroad and their dismissals in France. How many billions were paid out thus without resulting in the creation of a single job? Thus it is necessary to link any payment of public funds closely and systematically with a guarantee of actual creation of stable jobs in sufficient numbers in the enterprises concerned. And to guarantee this, democratic procedures for the control of the use of this public aid and the credit granted must be established.

In order to create jobs, it is also necessary to launch the major equipment policy which the country needs. In this sector too, the government projects--from the abandonment of the Guillaumat plan to the rehiring of the 40,000 assistant teachers employed last year--represent positive bearing points. For our part, we propose that the construction of 100,000 low-cost housing units, financed by the Department and Consignment Office and by the budget.

It goes without saying that such a relaunching of national and regional economic activity requires that the domestic market be won back. It would thus be well, in our view, to limit excessive and abusive imports, with the choice to "produce French."

Unemployment Related to Inflation

The improvement of the job situation and the resumption of production require the development of consumption, that is to say the purchasing power of the French citizen. It is in this way that we can assure the greatest economic and national efficiency for our national collective.

For our part, we support the CGT [General Confederation of Labor] proposal to increase the SMIC [interoccupational minimum growth wage] by 10 percent immediately, and to embark upon a new wage policy designed among other things to improve the situation of the most neglected workers and to maintain the producing power of all.

In this connection, it would be best if the negotiations undertaken or to be undertaken in the public and nationalized sector were to reveal in an exemplary fashion the will of the government to launch national economic recovery on a healthy base. We must act in such a way that these negotiations reflect maintained purchasing power and a substantial improvement for the most needy categories.

The same is the case with the work week, which should, thanks to the numerous jobs very happily created in the public departments, be the focus of vanguard decisions leading rapidly to the 35-hour work week and forcing the employers in the private sector to yield on the work week issue and to create hundreds of thousands of productive jobs simultaneously.

The battle against unemployment cannot be separated from the battle against inflation. The government has taken steps to control the most flagrant abuses. The goal of reducing inflation to 8 percent has been put forth. Such an aim is realistic, on the condition always that energetic battle be undertaken against the confusion and speculation which the employers, as well as some middlemen, engage, and on condition that a policy of cost truth be pursued, making it possible to get at the very root of price formation.

In the short run, if we do not demand the freezing of all prices as a systematic measure, we do believe that it would be desirable to establish control with the participation of the trade unions and associations, which would be reflected in price fixing or penalties in cases of abuse.

Greater Tax Equity

In order to reduce the difficulties which burden the lower income families and to correct the economic situation, a real battle must be undertaken against the screaming instances of social injustice. In fact, despite the steps taken or announced by the government, it is not possible to overlook the fact that France is one of the most inegalitarian nations anywhere.

A capital levy has been ordered. We are delighted. But it must indeed be recognized that the rates established--from 0.5 to 1.5 percent--will bring in only a limited yield, probably less than the 5 to 6 billion franc figure forecast. On the subject of this tax, as well as all the other fiscal income of the state, I would draw your attention to the need for measures against tax fraud. Is it not--and obviously, it is not the workers who are responsible for it--estimated at about 60 billion?

Similarly, the first steps planned in the matter of direct taxation, income taxes and taxes on enterprises do not seem capable in themselves of leading to a higher yield in public finances and greater economic efficiency, particularly with regard to the creation of jobs and substantial progress in the matter of tax equity. We continue to believe that, with the double concern of ensuring greater social justice and achieving mastery of inflation, more rigorous immediate steps must be taken against the privileged.

In this connection we propose the following:

First of all, heavier taxation of enterprises, particularly the banks, insurance and oil companies. It is possible immediately to increase the taxation of bank sums deductible for medium and long-term credit; to reexamine the excessively liberal system of fund payments by insurance companies; to review the world profit system of the multinational companies; to tax oil refining companies which have a balance of 21.5 billion as a price fluctuation fund. This provision, which was never required, is simply the result of successive deductions from the value of oil product stocks. Even if only a part of this sum were subjected to the tax on companies, it would bring in several billion francs.

Thirdly and finally, we propose that a speedy end be put to the numerous tax privileges of the preceding regime, and in particular to announce an end to the privileges related to the Monory law on savings.

Bold Steps Against Capital

Thus we see that whether the issue is unemployment, inflation, or tax equity, successful change requires the use of bold means to attack the dominance of capital and to give the workers the means to get national economic life out from under the demands of profit.

Mr Prime Minister, you have just spoken of the government's projects in the nationalization sector. Naturally, everyone knows that we have defended the concept of a substantial broadening of the field of nationalization. We continue to regard this proposal as legitimate in terms of the necessities. But as I said just now, we direct our activities within the framework of the choice made by the French people. In this connection, we are aware of the fact that the commitments made on this point by the president of the republic will be kept without delay. The nationalization projects on which the government has decided are moving in the proper direction. Naturally, the maintenance of private interests in the affiliates of the large groups inevitably entails some problems. Within the framework of the governmental proposals, we hope that everything will be done to ensure that nationalization becomes a basic method of achieving new economic and social efficiency. It should also be reflected in the democratic management on the top group level as well as in the basic affiliates. It should guarantee the workers and their representatives new rights, particularly on the boards of directors.

Worker Participation--the Key to Success

In the final analysis, it is here--in the active and deliberate participation of the workers, of the citizens--that the key to success lies. We are only at the very beginning of the process of change. The development of this process, affecting the

social, economic and political changes France needs, cannot be done solely from the top down. Change can only succeed thanks to the action of the living forces in our country.

As I have indicated throughout this explanation, the employers have not abdicated. Bankers, financiers, speculators and heavy capitalists affiliated with the right-wing politicians are using every means available to them to counteract the task of renewal undertaken, to thwart nationalizations, to limit the rights which the workers may claim in the future, and to destroy the national potential--in a word, to bypass the majority choice of the French people and continue the profit-king policy which plunged our country into crisis. Well, then, they should know that they will always find the communists in their path. When it comes to the pretensions of the employers, we will under all circumstances support the workers in their struggle for their jobs, for their wages, for their rights.

It is thus, through the action of the popular movement, that we will guarantee the success of what has begun--the upsurge of the country.

In conclusion, I would like to explain to the National Assembly the feelings inspired in us by the arrogant attitude and the Cold War speech of the American secretary of state, General Haig, in Berlin the day before yesterday.

A Role Equal to the Position of France

We are indignant and concerned. Indeed we are aware that Mr Reagan and his associates do not hesitate, in their attempt to intimidate democratic opinion, vastly to exceed the limits which their responsibilities as leading statesmen impose upon them. They are quite willing to play with fire.

But they must not nurture the senseless hope of pushing the world decades backward. They must come to their senses: we are no longer in the era when their predecessors or their counterparts could decide on war or peace at their whim.

What better illustration of the development of the balance of forces in favor of peace could there be than this mass uprising, throughout all of Europe and even the United States itself, of peaceful men and women legitimately disgusted by this obstinate determination of the American leaders to step up international tension by every means? These fighters for peace from the most varied sectors, be it in the FRG or Great Britain, the Netherlands or Scandinavia, are expressing their views in multiple forms by the millions. The breadth of this movement is constantly increasing, day after day.

In view of this situation, the French Communist Party is of the opinion that France can play a role equal to its importance by making its voice heard to halt any attempt to return to the nefarious policy of the Cold War, and to maintain a situation of peaceful coexistence, cooperation and dialogue, in the search for peace and disarmament. To this end, every effort on its part will not only be consistent with the best traditions of our people, but will constitute a particularly positive reflection of the changes which have come about in our national life. There is no doubt that on the level of the world as a whole, we will be heard.

Everyone is aware of the great importance the communists attach to the great contemporary problems of peace, security and disarmament. For this reason, we are happy that in this sector as well, a clear agreement has been reached with the Socialist Party.

In this connection I will recall the terms of this agreement, signed between our two parties a little less than 3 months ago: 'The two parties support the international action of France, within the framework of respect for its alliances, for peace and gradual disarmament and with a view to the simultaneous dissolution of the military blocs, guaranteeing the balance of forces in Europe and the world and the safety of each country.'

It goes without saying that we are more than ever prepared to carry out this commitment in life.

We must not lose sight of the fact that hundreds of millions of human beings throughout the world suffer from hunger, and that the insupportable scourges born of underdevelopment create an urgent duty for the more advanced nations to provide aid and solidarity. Under these conditions, our country can play the role which befits it by refusing to allow the American leaders to take the heavy responsibility of relaunching the armaments race, the most dangerous and ruinous venture of our time.

I thus insist on stating solemnly to this body that the communists are ready to play their full role in implementing a great policy of peaceful coexistence, international cooperation, disarmament and peace. We are aware that by advancing concretely and rapidly along this path, we will be responding both to the profound wishes of our people and to the hopes which the experiment undertaken in our country arouse among the peoples of the world.

We Stand Resolutely in the New Majority

One last word: all that I have just said makes it clear that the communist deputies stand resolutely with the new majority, for the sole purpose of contributing to the success of change. This is of course why we will not vote for the motion of censure put forth by the right wing, which bears such a heavy responsibility in the crisis situation being experienced by our country."

5157

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PROGRESSIVE PARTY WOULD STOP FOREIGN AID

Oslo ARBEIDERBLADET in Norwegian 25 Sep 81 p 23

[Commentary by Harald Bekken: "Carl I. Hagen's "Christian Values Party"]

[Text] The most audacious statement made during the election campaign came from Carl I. Hagen. Without blushing, he said on television: "The Progressive Party is based upon Christian values." To be sure, misuse of the term "Christian values" is not an unknown phenomenon. To Nasjonal Samling [Quisling's party] the guarding of Christian values was a principal theme. The regime in South Africa also claims that its policies are based upon Christianity. And now we have Carl I. Hagen.

What he said is an illustration of the most classical misuse of "Christian values": The values are first and foremost made into personal values: Do the best you can, take care of those close to you, be kind and good. This individualization of ethics is good enough as far as it goes--of course we should be kind to one another: But in its purified form, it becomes mortally dangerous, being blind to social connections; blind to the consequences of our attitudes. History describes an endless series of individuals who in the name of goodness and Christianity caused misery and distress. They wished to stay with the Christian ethical values. They never understood that the social system for which they worked had nothing but scorn for Christian values because its consequences were injustice and social need. But let me conduct a somewhat more concrete test of Mr Hagen's "Christian" party. In Christian ethics it is above discussion that the two following criteria, among others, belong in any discussion of Christian values.

- 1) That one is on the side of the weak groups.
- 2) That one has global perspective and feels responsibility for human beings beyond our own borders.

The Progressive Party fails in both categories. It is tempting to illustrate the first with the affair that led to the party's first candidate in Troms being severely embarrassed in a radio broadcast. On the local question hour, he was asked about his party's program plank to the effect that farming must be left to the market economy, and that subsidies and government support programs would thus be abolished. The program leaders said that this would mean, as everybody knows, that farming in Troms, mainly small farms, would break down. However, the man from the Progressive party would not agree that the small farms were to be abandoned, thereby trapping himself: This was not according to the party program. "Yes, yes," he burst out then, "I haven't read the entire program, of course."

That response is not easily forgotten. The consequences of the program of the Progressive party would necessarily be destruction of the remote regions and sparsely settled areas of Norway, with all the resultant social and human problems.

And the Progressive Party wishes to stop all state aid to the developing countries. This is adequate evidence of the party's failure when it is measured against its responsibility felt for fellow human beings in the Third World.

What we are left with is not only a demonstration of Mr Hagen's ineptness with words, but also proof that the party chairman's word amounts to cheating: The party's program is demonstrably in conflict with Christian values. Within the church there is increasing evidence that the church in the opinion of many should make its ethic and its engagement more concrete and over a broader spectrum. Even before this Storting election, there have been some who have thought the bishops should have issued an encyclical. The encyclical that could have been written could have been a rejection of the Progressive Party on the basis of its reactionary be-sufficient-unto-yourself philosophy. Bishop Aarflot, will such a concrete encyclical, with names mentioned, perhaps be issued before the next Storting election?

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UPDATE ON SDECE DIRECTOR MARION'S STAFF CHANGES

Paris LE MONDE in French 26 Sep 81 p 25

[Article by Jacques Isnard]

[Text] More than 3 months after his appointment to the position of director general of the SDECE [Foreign Intelligence and Counterintelligence Service], Mr Pierre Marion has reshaped the directing staff of the French intelligence services, disengaging himself from associates of his predecessor, Mr Alexandre de Marenches and promoting certain senior officials recruited mainly from the military.

Unlike Mr de Marenches, who is now a councillor of state, Mr Marion did not take office as director general of the SDECE surrounded by close and loyal associates from overseas posts to whom he could have assigned sensitive positions of responsibility on the directing staff of the Service, as had his predecessor. Many officials actually had the feeling that their new director general was a loner, whose appointment had taken him by surprise and was owing, in part, to the existence of personal and almost ideological ties of long standing with the minister of defense.

Mr Marion began by questioning the need to maintain the position occupied by his departmental staff director who was also deputed to act as head of the service in the absence of the director general. This position had been occupied since 1977 by the same official, Mr Michel Roussin, former artillery officer, who became a gendarmerie officer in 1964 and, after a period of duty on the staff of the prime minister, was integrated into the prefectural administrative corps.

By reason of Mr de Marenches's extensive travels on official business, Mr Roussin necessarily came to wield, within the SDECE, tremendous influence over the very operation of the service and to gradually occupy in it a predominant position which the reliance placed upon him by the director general had served to further enhance. It was this situation which undoubtedly brought Mr Marion around to re-examining the role of a departmental staff director and to promote Brig Gen Jacques Sylla Fouilland, chief of the Intelligence Research Division, to the rank of director with deputation to act as head of the entire Service in place of the director general of the SDECE in the latter's absence or incapacitation.

A graduate of Saint-Cyr, holder of a parachutist certificate and of a technical certificate (languages) in higher military instruction, Gen Jacques Sylla Fouilland, 54, has headed the SDECE's research activities since the departure, 1 year ago, of Gen Alain de Gaigneron de Marolles. Prior to that he had been chief of the military sector of Studies and Analyses and, for 2 years, assistant to the director general of the SDECE.

General Fouilland's promotion is accompanied by some changes in the SR [Research Service], which comes under his authority within the Information Division.*

Thus, Col Rene Crignola, 60, chief in the SR in charge of management of the "human" objectives (foreign agents) handled by the station chiefs in accordance with government intelligence plans, has been transferred to Section 2 (reserves) with the grade of brigadier general. This decision is considered a promotion by many officials in Information who, however, have always deplored the authoritarianism and sectarianism of their hierarchic boss. His assistant, Mr Alphonse Lecoq, a civilian, will be the acting chief temporarily.

According to some officials stationed in Paris, other personal advisers of Mr de Marenches's time on the SDECE's directing staff have either left or are in the process of leaving, such as Mr Rene Dalmas, civilian administrator, a graduate of the ENA [National School of Administration], and Dr Yves Beccuau, who occupied the position of psychotechnical adviser to the director general without being the official head of the Medical and Psychotechnical Services of the SDECE. It is around these two names that, rightly or wrongly, most of the discontent on the part of many officials over the past 5 years of Mr de Marenches's tenure has centered. They were accused of interfering too frequently and in too authoritative a manner in the running of the SDECE, without being sufficiently responsive to the opinions of the specialists.

On the other hand, Col Jean-Albert Singland, 52, chief of counterintelligence since 1980, has been named official representative to the general directorate. Armed Forces Inspector Gerard Delbauffe, assistant to the director general, will handle problems of personnel, programs and organization, while Service Chief Michel Kuhnunch will head the Financial and General Affairs Division. Lastly, Col Georges Grillot, 52, will continue as head of the "Action Service," although this former disciple of Gen Marcel Bigeard and creator of the famous "Georges com-Mandos" in Algeria has, in the past, carried out frequent purges in his service to maintain the strict orthodoxy demanded by the previous septennate. The "Action Service" has frequently contributed to the success of many logistical missions in Africa.

* The Research Services comprise the SR strictly speaking, counterintelligence, Service 5 or radio monitoring service, "Action Service," etc.

MORE POWERFUL VERSION OF ARIANE PREPARED BY ESA

Paris LE MONDE in French 26 Sep 81 p 26

[Article by Jean-Francois Augereau]

[Text] The Board of Directors of the ESA [European Space Agency] for the Ariane Rocket Development Program must address the matter of the Ariane-4 rocket on Friday 25 September. This rocket is intended to enable the Europeans to continue competing with the Americans through 1985-1986. An initial project was submitted at the start of spring. It is now being weighed against a second project which is favored by the CNES [National Center for Space Studies]. To stay on schedule and commence work as planned in 1982, an ESA decision must be forthcoming shortly, in the form of a vote by the Board between now and the end of October.

Only a very short time ago, everything seemed ready. The only thing lacking was the green light from the interested European countries to undertake at the beginning of next year the development program of a European state-of-the-art launcher designated Ariane-4. In its current configuration, Ariane does not actually respond to the needs of the satellite users. Moreover, its promoters have decided to build versions with higher performance characteristics than the current launcher--Ariane-2 and Ariane-3--capable of putting payloads of 2,000 to 2,400 kilograms into transfer orbit (200-kilometer perigee, 35,800-kilometer apogee).

The experts feel that more powerful launchers will be needed beginning in 1985 to put heavier and larger satellites into space than those the industrialists are planning to produce by then. According to this viewpoint, the Ariane-4 rocket, the first giant of the family, must provide a response to that need.

A few months ago, a complete set of specifications for this vehicle, which is to be "Europe's war-horse" in its challenge to the U.S. hegemony in this domain, was submitted to the ESA (LE MONDE, 5-6 July). Today, there is a new project in the hands of the Agency. Were the engineers completely mistaken? The putting into question of projects of this vast scale only 6 months away from the kick-off of initial operations is a rare thing.

The fact is that the new specifications look less like a complete discarding of previous concepts than a reshaping of the launcher made necessary by its inability to fill only certain market niches. It seems that criticisms in this sense had

been formulated since March and Ariane-4 was considered too powerful hence, financially disadvantageous, to clients for lighter missions, and lacking in a comfortable margin of power for heavier ones. What would be the point in offering to put 2,800 kilograms of payload into orbit where a mere 2,100 kilograms would suffice? How, on the other hand, could a client be offered a guarantee to launch simultaneously two satellites requiring performance characteristics suitable for payloads of over 4 tons?

First Stage

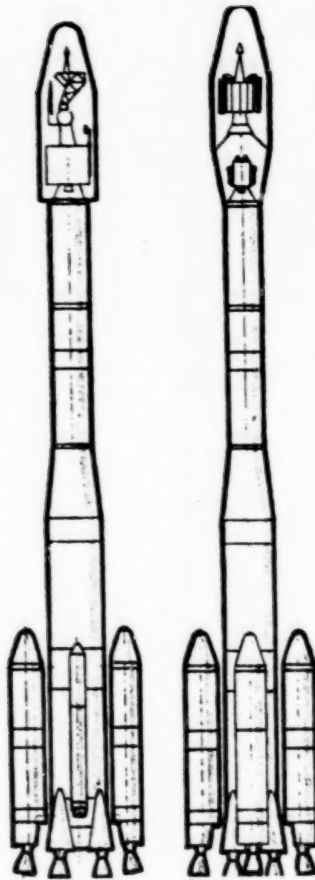
These considerations, in the view of all those involved in the development of Ariane, dictated a new approach, and a new set of specifications, drawn up in large part by the Preliminary Projects Division of the CNES, was finally completed. Borrowing from Ariane-2 and Ariane-3, the new launcher takes their second stage and increases the thrust output of its Viking motor to 58.5 atmospheres--versus 53.5 atmospheres for the 19 June shot--as well as their third stage equipped with a souped-up cryogenic motor. Partly because of this, the weight of hydrogen and liquid oxygen required for its operation increases from 8 to 10 tons.

From this standpoint, the new project is no different from the one submitted in July. The entire change is in the first stage. The technicians had in fact envisaged adding to the first stage of the launcher, elongated for the purpose, a fifth Viking motor. Solid-propellant booster rockets, two or four in number, could if necessary offer, according to the mission, additional blast-off power, thus providing to a certain extent a made-to-order launcher.* For the engineers, however, this approach, although a good one--it was adopted in the specification for the new Ariane-4 launcher--involved the drawback of a costly overall redesign of the first stage of the rocket.

In the new proposal, the first stage, with its four motors, is maintained, the sole modification being an increase in the thrust of the motors, obtained, as in the case of the second stage, by increasing the thrust output and elongating by 4-5 meters the structures to accommodate the 205-210 tons of propellant needed for blast-off. A paradox to beat all paradoxes, a launcher thus configured would be incapable of blasting off because it would be too heavy!

What then? Simply reduce its weight by only partly filling the reservoirs of the first stage (160 tons). In this case, the rocket, taking the designation A-40, can carry up to 2,100 kilograms of payload. Beyond that, the reservoirs of the first stage would be totally filled, but the lack of power at blast-off would be made up for by a variable array--variable in number as well as type--of booster rockets. According to the requirement, 7-ton solid-propellant boosters (P version) or liquid-propellant boosters (L version) equipped with Viking motors, fueled by

* Very-high-performance versions using 8-ton, then 12.5-ton, in place of the planned 7-ton, solid-propellant pellets were considered. But their design ran into technical problems.



Shown above are the two most powerful models of Ariane-4 in its newest configuration. The one on the left is equipped with a combination of liquid-propellant booster rockets--the larger ones--and solid-propellant booster rockets. Different models of liquid-propellant boosters are still under study: Droppable and, possibly, recoverable (12 meters high, 2.3 meters in diameter) and non-droppable ones (19 meters high, 1.9 meters in diameter). The final choice has not yet been made.

38-40 tons of propellant, could be added. Thus, the user could be offered a choice of six launchers covering a wide range of payloads from 2,100 kilograms (A-40) to 4,170 kilograms (A-44.L).

Will such a program be favorably received by the Europeans? Being, as it is, more flexible, this plan should satisfy the Europeans from the financial standpoint if, as its backers claim, it remains within the ceiling of Fr 1.1 billion provided for the previous plan. It should also satisfy them from the standpoint of economic fallout, in that it involves a larger number of industrial contracts that are not subject, a priori, to automatic award. Will these arguments suffice to persuade the undecided? The next few weeks should tell us. But one thing is clear, at least for the management of the Arianespace Company, which is responsible for marketing the launcher: A speedy decision is essential and an Ariane-4 test launch must be carried out in September-October 1985 in order to be ready in 1986 to respond marketwise to the needs of the users.

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